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Canada. Old Age Security, 1950
... Committee of the Senate and the
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JOINT COMMITTEE OF THE SENATE
AND THE HOUSE OF COMMONS
ON
OLD AGE SECURITY)

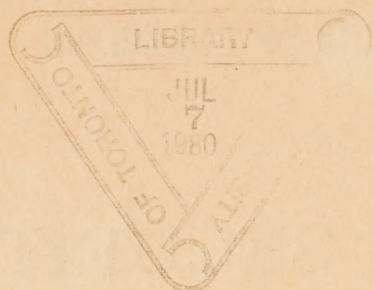
MINUTES OF PROCEEDINGS *[and evidence
and reports]*
No. 1

MONDAY, APRIL 3, 1950

TUESDAY, APRIL 4, 1950

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950





MEMBERS OF THE COMMITTEE

FOR THE SENATE

Hon. J. H. King, <i>Joint Chairman</i> ,	Hon. R. B. Horner,
Hon. V. P. Burke,	Hon. J. R. Hurtubise,
Hon. J. J. H. Doone,	Hon. J. A. Léger,
Hon. Iva C. Fallis,	Hon. L. Moraud,
Hon. T. Farquhar,	Hon. J. J. Stevenson,
Hon. C. E. Ferland,	Hon. C. Vaillancourt.

FOR THE HOUSE OF COMMONS

Mr. J. Lesage, <i>Joint Chairman</i> ,	Mr. M. Gingues,
Mr. W. M. Benidickson,	Mr. K. Homuth,
<i>Vice-Chairman</i> ,	Mr. S. H. Knowles,
Mr. T. G. W. Ashbourne,	Mr. A. Laing,
Mr. H. H. W. Beyerstein,	Mr. A. MacInnis,
Mr. W. G. Blair,	Mr. A. A. Macnaughton,
Mr. A. J. Brooks,	Mr. L. P. Picard,
Mr. D. F. Brown,	Mr. R. Pinard,
Mr. J. H. Corry,	Mr. C. T. Richard,
Mr. P. E. Côté,	Mr. F. G. Robertson,
Mr. H. Courtemanche,	Mr. F. D. Shaw,
Mr. D. A. Croll,	Mr. D. Smith,
Mr. J. G. Diefenbaker,	Mr. G. D. Weaver,
Mr. G. M. Ferrie,	Mr. J. W. Welbourn.
Mr. D. M. Fleming,	

R. ARSENAULT,
Clerk of the Committee.

ORDERS OF REFERENCE

*Extracts from the Minutes of Proceedings of the Senate for
Friday, 31st March, 1950*

The Honourable Senator Robertson moved—

"That the Senate do unite with the House of Commons in the appointment of a Joint Committee of both Houses of Parliament to examine and study the operation and effects of existing legislation of the Parliament of Canada and of the several provincial legislatures with respect to old age security; similar legislation in other countries; possible alternative measures of old age security for Canada, with or without a means test for beneficiaries, including plans based on contributory insurance principles; the probable cost thereof and possible methods of providing therefor; the constitutional and financial adjustments, if any, required for the effective operations of such plans and other related matters.

That the following Senators be appointed to act on behalf of the Senate on the said Joint Committee, namely, the Honourable Senators Burke, Doone, Fallis, Farquhar, Ferland, Horner, Hurtubise, King, Leger, Moraud, Stevenson, and Vaillancourt.

That the Committee have power to appoint, from among its members such sub-committees as may be deemed advisable or necessary; to send for persons, papers and records; to sit during sittings and adjournments of the Senate, and to report from time to time.

That the Committee have power to print such papers and evidence from day to day as it may order for the use of the Committee and of Parliament, and that Rule 100 of the Senate be suspended in relation thereto.

That a Message be sent to the House of Commons to inform that House accordingly."

After debate, and—

The question being put on the said motion,

It was resolved in the affirmative.

L. C. MOYER,
Clerk of the Senate.

HOUSE OF COMMONS,

Thursday, 30th March, 1950.

Resolved, That a joint committee of both Houses of Parliament be appointed to examine and study the operation and effects of existing legislation of the Parliament of Canada and of the several provincial legislatures with respect to old age security; similar legislation in other countries; possible alternative measures of old age security for Canada, with or without a means test for beneficiaries, including plans based on contributory insurance principles; the probable cost thereof and possible methods of providing therefor; the constitutional and financial adjustments, if any, required for the effective operations of such plans and other related matters;

That 28 Members of the House of Commons, to be designated by the House at a later date, be members of the joint committee on the part of this House, and that Standing Order 65 of the House of Commons be suspended in relation thereto;

That the committee have power to appoint, from among its members, such sub-committees as may be deemed advisable or necessary; to call for persons, papers and records; to sit while the House is sitting, and to report from time to time;

That the committee have power to print such papers and evidence from day to day as may be ordered by the committee for the use of the committee and of Parliament, and that Standing Order 64 of the House of Commons be suspended in relation thereto;

And that a Message be sent to the Senate requesting that House to unite with this House for the above purpose and to select, if the Senate deems advisable, some of its members to act on the proposed joint committee.

Ordered,—That Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brooks, Brown (*Essex West*), Corry, Cote (*Verdun-La Salle*), Courtemanche, Croll, Diefenbaker, Ferric, Fleming, Gingues, Homuth, Knowles, Laing, Lesage, MacInnis, Macnaughton, Picard, Pinard, Richard (*Gloucester*), Robertson, Shaw, Smith, (*Queens-Shelbourne*), Weaver, and Welbourn act on behalf of the House of Commons on the said joint Committee.

MONDAY, 3rd April, 1950.

Ordered,—That twelve members constitute a quorum of the said committee.
Attest.

LEON J. RAYMOND,
Clerk of the House.

REPORT TO THE HOUSE OF COMMONS

MONDAY, April 3, 1950.

The Joint Committee of the Senate and the House of Commons on Old Age Security begs leave to present the following as a

FIRST REPORT

Your Committee recommends that 12 of its Members constitute a quorum.
All of which is respectfully submitted.

JEAN LESAGE,
Joint Chairman.

MINUTES OF PROCEEDINGS

MONDAY, April 3, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met for organization at 4.00 p.m.

Present:

The Senate: The Honourable Senators Burke, Hurtubise, King, Stevenson, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Blair, Brooks, Brown (*Essex West*), Corry, Cote (*Verdun-La Salle*), Courtemanche, Croll, Diefenbaker, Ferrie, Fleming, Gingues, Homuth, Knowles, Laing, Lesage, Mac-Innis, Pinard, Richard (*Gloucester*), Robertson, Shaw, Smith (*Queens-Shelburne*), Welbourn.

On motion of the Honourable Senator Stevenson, seconded by the Honourable Senator Vaillancourt, the Honourable Senator King was appointed Joint Chairman representing the Senate.

On motion of Mr. Laing, seconded by Mr. Brown, Mr. Lesage, M. P., was appointed Joint Chairman representing the House of Commons.

The Joint Chairmen expressed their thanks for the honour conveyed and commented upon the task that lies ahead.

On motion of Mr. Brown,

Resolved,—That Mr. Benidickson be appointed Vice-Chairman of the Committee.

On motion of Mr. Croll,

Resolved,—That a Steering Committee be appointed, the number of Members on such Committee and personnel thereof to be determined by the House of Commons Chairman, Mr. Lesage, after consulting with the different party representatives on the Committee.

On motion of Mr. Homuth,

Resolved,—That the Committee recommend that 12 of its Members constitute a quorum.

On motion of Mr. Fleming,

Ordered,—That 1500 copies in English and 500 copies in French of the Committee's Minutes of Proceedings and Evidence be printed from day to day.

A series of questions on Old Age pensions, submitted by Mr. Homuth, were referred to the Steering Committee.

Mr. Lesage announced that he would select the Steering Committee forthwith so that it could hold its first meeting at 8.00 p.m. this day.

The Committee adjourned to meet again on Tuesday, April 4, at 11.00 a.m.

TUESDAY, April 4, 1950.

The Joint Committee of the Senate and the House of Commons on Old Age Security met at 11.00 a.m. The Honourable Senator King and Mr. Lesage, M. P., Joint Chairmen, presided.

Present:

The Senate: The Honourable Senators Hurtubise, King, Stevenson, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Brown (*Essex West*), Corry, Cote (*Verdun-La Salle*), Croll, Diefenbaker, Ferrie, Fleming, Knowles, Laing, Lesage, MacInnis, Macnaughton, Richard (*Gloucester*), Robertson, Smith (*Queens-Shelburne*), Welbourn.

Honourable Paul Martin, Minister of National Health and Welfare, and Dr. G. F. Davidson, Deputy Minister of Welfare, were also present.

On the invitation of Mr. Lesage, the Minister of National Health and Welfare addressed the Committee, stressing the importance of the Committee's deliberations and offering the cooperation and assistance of his Department.

The Honourable Senator King thanked the Minister on behalf of the Committee.

Mr. Lesage presented the First Report of the Steering Committee as follows:

"Your Steering Committee met last night. The Members of the said Steering Committee are: Senators King and Vaillancourt, Messrs. Benidickson, Blair, Cote, Croll, Fleming, Lesage, MacInnis and Shaw.

I was directed by the Steering Committee to present the following unanimous report:

1. The Members of the Steering Committee agree that the Committee will be pressed by time if it wishes to present a report in time to be studied by both Houses at this Session. From the first meeting after Easter, on the 18th of April, there are only eight full weeks up to the 10th of June. Consequently, all members of the Steering Committee are in agreement that the procedure to be followed in carrying out the program of work outlined herein should be followed as strictly as possible.

2. The Steering Committee submits that the Committee should sit at least five times a week, and that any decision as to an increase or decrease of the number of sessions can be taken later according to experience.

3. In planning the Committee's program of work, the Steering Committee is unanimously agreed that the Committee should commence by a study of the actual Old Age Pensions program in effect in Canada, and proceed from there to a study of Old Age Security programs in effect in other countries. Following this, the Committee should consider representations from organizations which wish to present briefs. In order that these briefs may receive adequate consideration, it is recommended that they should be in the hands of the Committee and available for study by April 30 at the latest. This will enable the Committee to consider the material in the briefs and subsequently to call for hearing as many of these organizations as time will permit. Following the hearings from these organizations, which should commence shortly after May 1st and be completed by the end of May at the latest, the Committee will then have approximately two weeks in the early part of June to prepare its conclusions and to submit its report for the consideration of both Houses, by the middle of June.

4. When Parliament reconvenes after Easter, it is recommended that the Committee start by hearing the officials of the Department of National Health and Welfare and other experts that the Committee may wish to call, first with regard to the Canadian scheme of Old Age Pensions, and then with regard to programs in effect in the following countries: United States, United Kingdom, Australia, New Zealand, Sweden, and France. It is probable that at a later stage, the Committee will wish to hear officials of the Department of Justice on the constitutional aspects of various plans.

5. The Steering Committee proposes that the services of Mr. J. W. Willard, Research Director of the Department of National Health and Welfare, be made available to the Committee to assist in preparing the factual part of its report.

6. The Committee will need to establish a secretariat. It is believed that at the start at least, the Department of National Health and Welfare will be in a position to supply the personnel required. It is anticipated that there will be a great deal of correspondence, numerous briefs, and much of mimeograph work in connection with the preparation of these briefs for distribution to the members of the Committee. The task of the Committee in this regard would be made considerably easier if the organizations sending in briefs could supply seventy-five copies, whenever possible.

Respectfully submitted,

JEAN LESAGE,
Chairman.

On motion of Mr. MacInnis, the Steering Committee's first Report was adopted.

On motion of Mr. Fleming:

Resolved,—That the hearings of the Committee be brought to the attention of the Welfare Departments of the different Provincial Governments and that a letter be written to them indicating that if they have anything that they care to submit to the Committee, the Committee would appreciate their assistance.

The Committee adjourned to meet again following the Easter Recess, at 11.00 a.m., on Tuesday, April 18.

R. ARSENAULT,
Clerk of the Committee.

PRELIMINARY DISCUSSION ON ORGANIZATION

HOUSE OF COMMONS,
April 3, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 4 p.m. Hon. Senator J. H. King and Mr. J. Lesage, M.P., Joint Chairmen, presided.

Hon. Mr. King (Joint Chairman): Honourable members of the Senate and the House of Commons, I greatly appreciate being asked to be a member of this committee, and I am grateful to you for having made me one of the presiding officers.

It has been given to us to survey one of the most important social security measures to which the federal government committed itself in a bill passed in

1927. I have a sentimental interest in being a member of this committee, as it fell to my lot and honour to introduce and pilot through the House of Commons the first Old Age Pensions Bill, which received third reading on May 28, 1926. That bill was not accepted by the Senate, but became law following the general election in 1927.

I have had occasion to refresh my memory by reading the debate in the House of Commons in 1926, and I find that from all parties in the House there were individual members who favoured some form of legislation to cover the aged people who, for various reasons, had failed to provide security for their declining years.

The chief objection of the opposition was the failure of the government to get consent from the various provinces. This objection was met by the government by the fact that a precedent had been established by the former government, which had made grants for highway, construction and education. These grants required, before their benefits could be secured, certain obligations on the part of the provinces. I am doubtful if the federal government had not made the primary move, whether we would have had a universal old age pension in Canada today.

I desire to say that the committee are indebted to the honourable Minister of National Health and Welfare, Mr. Martin, for the comprehensive speech he made in the House of Commons on March 10, when he moved the resolution to set up this committee. It was a great speech because of its clarity, guidance and information, and it is now in the hands of the committee. He covered certain parts of our own legislation, comparing them with those of other countries. For example, the means test. This part of our law has been subjected to much criticism. An effort was made in 1937, 1947 and again in 1949 to overcome this criticism by extending the benefits and coverage of this important social security measure. A substantial liberation in the property qualification has taken place.

It has been the experience of many of us to be subject to a qualifying, or means test, when we approached a friend or financial institution for a loan or an extension of credit. At that time we had to satisfy either the friend or financial institution as to our ability to take care of our contractual obligations.

I think the agitation to do away with this means test has come not so much from the would-be pensioner as from relatives or friends who felt they had some personal obligation that would be relieved if the aged person qualified for the pension. This vocal group became a fruitful field for a political appeal.

The Hon. Mr. Martin has given us valuable information on the subject of contributory pensions, and the necessity for having an agreement with the provinces before the federal government could enter that field. He also points out the necessity of trying to correlate the federal legislation with the various pension schemes that have been in existence for many years, and those of an industrial and institutional character that have come into being in late years. This phase will require the hearing of much evidence, and the application of cool and careful judgment.

I think I have said enough, except to express the hope that it will be the desire and aim of the committee to arrive at unanimous recommendation to parliament on this most important social legislation.

Mr. LESAGE (Joint Chairman): My first word must be one of thanks for the honour that the House of Commons members of this committee have conferred on me by choosing me as their chairman. This is an appointment that I deeply appreciate because of what this committee can do to further the welfare of the aged people of Canada.

Since the notice of motion to form this committee was first given, I have followed the debate in the House of Commons with the closest interest. While the wide diversity of views revealed indicates no general agreement on the pensions

pattern that is best for Canada, there is clear conviction on all sides of the House that the present system of pensions for our aged can and must be improved.

Our terms of reference invite us to study our present system thoroughly, its strength and its weakness; to study the system in effect in other countries, and to consider both the benefits to recipients and the cost of these benefits. We will certainly want to keep in mind the degree to which any system proposed would burden the national economy of our working force.

All this is to be done, of course, with open minds. Might I here suggest that there is a Canadian approach to all such important questions as this. We in this country like to know the facts before proceeding to change what we have—we like to know all the alternatives before improving any existing measure. No doubt the committee will welcome the views of national organizations, welfare groups and Canadian labour.

We are now, I hope, in a year of great decision in the history of old age pensions in Canada. This committee is now undertaking a very full and searching review of the entire purpose and pattern of our pensions system. The Canadian way is to build sturdily so that each social measure can long endure. The old age security system that we can plan here must not only be strong enough to survive difficult years—it must bring a degree of hope to a large and otherwise insecure part of our population so that our economy will be strengthened and stabilized.

It is, therefore, with eager anticipation that I take the chairmanship with which you have honoured me. I am sure that you all share with me the conviction that if, with the cooperation of all interested groups in this country, we diligently do our job in this committee, we can reach recommendations that will commend themselves both to parliament and to the people of Canada.

(Mr. Lesage addressed the committee in French).

Now, gentlemen, if it is your desire I suggest we proceed to the selection of a steering committee so that it can at once begin discussing the agenda for our first meeting which, under the circumstances, cannot begin until immediately after the Easter recess. So that we will waste no time, preparations and studies decided on by the steering committee and approved by the main committee, could go forward during the recess. I suggest that the steering committee should meet tonight and report back to the main committee tomorrow morning at 11 o'clock.

May I here indicate my own hope that the committee in view of the magnitude of its task and its importance, will consent to sit as often as possible. I need not remind the committee that a federal-provincial conference which will be held in the fall will give special significance to our deliberations. It is therefore important that we plan our meetings in order to report to parliament in time for full consideration of our recommendations by both Houses at this session.

I believe that the months ahead will be busy months for us. I know that you are all as determined as I am to see that our efforts will serve to strengthen our measures for the security of all Canada's aged citizens. I thank you.

MR. BROWN: Mr. Chairman, before proceeding with the nominations for the steering committee, is there not another feature that we should take care of? There may be times when the Senate will not be in session and it might be necessary for the chairman of the Commons section to be absent and I therefore move that Mr. Benidickson be named as vice-chairman.

Carried.

MR. GROLL: Mr. Chairman, may I now suggest what I think has been the practice, that the chairman, after consultation with the various parties, name a steering committee consisting of not more than eight, including the two chairmen.

Mr. FLEMING: Mr. Chairman, I would like to say a word on that motion before it is carried. There will have to be a steering committee, of course, and I entirely agree with the view you have expressed about the desirability of that steering committee meeting at once so that the report may be made to a meeting of this main committee tomorrow to the end that plans be made for the launching of the very serious and formidable work of this committee immediately after the conclusion of the Easter recess. For reasons I have just indicated to you, Mr. Chairman, I am concerned about one suggestion, one feature of the proposal made by Mr. Croll; he has fixed the number of the steering committee at eight. My suggestion is that we be not too rigid on this subject at the present time. I think if Mr. Croll would withdraw that particular feature of his motion we can get on with it, and suggestions could be made now by the various parties as to representation on the steering committee; and I am quite sure we are all anxious to proceed as quickly as possible. I think that feature of the motion might present some little difficulty at the moment which it is possible may be ironed out before the committee meets again tomorrow.

Mr. LESAGE (Joint Chairman): The steering committee will have to meet tonight.

Mr. CROLL: I am satisfied to leave the motion in such a way that the chairmen name the steering committee consisting of a number that they feel to be appropriate, after consultation with all the parties.

Carried.

Mr. LESAGE (Joint Chairman): Now, what should we do about a quorum? I would like to have the opinion of members on this matter. There are twenty-eight members of the House of Commons and twelve members of the Senate, making forty in all.

Mr. HOMUTH: In view of the fact that the Senate may recess you had better strike your quorum from the standpoint of the members of the House of Commons.

Mr. LESAGE (Joint Chairman): What would be your suggestion?

Mr. HOMUTH: I suggest twelve.

Carried.

Mr. LESAGE (Joint Chairman): That will be twelve members of the whole committee; there will be no separation as regards the two Houses in the quorum.

Hon. Mr. KING (Joint Chairman): Twelve members of both Houses will form a quorum and there will be no separation.

Mr. LESAGE (Joint Chairman): Now, what shall we do about the printing of evidence?

Mr. FLEMING: There seems to be a usual figure of five hundred in English and two hundred in French. I believe that there is going to be a great deal of public interest in the work of this committee and I believe many more copies of the evidence will be required. I wonder if Mr. Arsenault (the clerk) could give us any assistance based on his experience with the Prices Committee two years ago?

The CLERK: We printed one thousand copies in English.

Mr. FLEMING: How many copies did you print in French?

The CLERK: Two hundred and fifty copies.

Mr. FLEMING: Probably that would be a good figure to start with and we could alter the figure later if the demand indicates that some increase is desirable.

Mr. SHAW: Why would not the Social Security Committee give a better indication of the number of copies required? That committee sat for two or three years.

Mr. LESAGE (Joint Chairman): Mr. Cote, what is your suggestion as to the number of copies?

Mr. COTE: I think the number of French copies in comparison with the English copies was higher than is suggested by Mr. Arsenault; otherwise, I think the suggestion made would be appropriate: one thousand in English and four hundred in French.

Mr. LESAGE (Joint Chairman): We will start with that number. If necessary we can ask for more.

Mr. KNOWLES: Was the Prices Committee a joint committee?

Mr. LESAGE (Joint Chairman): No.

Mr. KNOWLES: Will we not require a few extra copies because there is a large number of members of the Senate?

Mr. FLEMING: Could Mr. Arsenault tell us how high a proportion of the thousand copies in English and the two hundred and fifty copies in French were actually taken up? Was the number exceeded?

The CLERK: The English supply is exhausted at the present time.

Mr. BROWN: I am told that the Social Security Committee printed fifteen hundred copies in English alone.

Mr. LESAGE (Joint Chairman): We will start with fifteen hundred in English and five hundred in French, if that meets with the approval of the committee.

Carried.

Are there any other questions with regard to organization before the steering committee meets tonight?

Mr. FLEMING: Is the committee going to make the usual recommendation with regard to sitting while the House is in session?

Mr. LESAGE (Joint Chairman): That was included in the order of reference.

Mr. HOMUTH: Tomorrow morning our meeting will deal simply with the report of the steering committee, but before we adjourn today may I say that there is some information I would like to get which the department will likely have and if not they can gather it up during the recess.

Mr. LESAGE (Joint Chairman): Dr. Davidson is here and I am sure he will take a note of your request.

Mr. HOMUTH: I have here a number of short questions which I should like to have answered before we start to deliberate on this matter. The questions deal with the nine provinces because Newfoundland only came into the picture recently. If the information is not available for 1949 I should like to have it for the five years previous to 1949. The questions are as follows:

1. How many old age pensioners had we in Canada in each of the past five years?

2. How many in each province?

3. What was the total payment, by provinces?

4. How much was reclaimed from the estates of pensioners these five years?

5. How much from each province?

6. How much was deducted from the pensioners for having earned over the allotted amount permitted under the Act, by provinces?

7. Is the information available as to how many old age pensioners in each province have an estate which can be levied against on their death and what are the figures?

8. Is the law pertaining to the reclaiming of the paid-out pensions administered the same in each province, and if not what are the regulations in each of the provinces?

Mr. LESAGE (Joint Chairman): I shall give your questions to Dr. Davidson.

Mr. CROLL: Mr. Chairman, it is going to be difficult enough to keep this committee on an even keel. I can foresee difficulties now unless we set our objective and decide upon what course we are going to follow. These various side issues are going to put us off our course. The questions that are asked are very pertinent questions but, on the other hand, they are obvious questions, too. Surely some course will be laid down whereby a great deal of information will be made available, and if any of us require additional information we will then ask questions of whomever is giving the information. If you start on this course now and you suggest that the answers be read you will have a lot of information which is completely out of context, and the result will be that we shall have some haphazard information rather than have our information in a regular fashion.

Do not forget that in order that we may reach a conclusion on this matter information will have to be fed to us in some fashion or pattern so that we can correlate it and unless we do that we are going to get ourselves into considerable trouble.

Mr. FERRIE: That is completely out of order until after the agenda committee has met.

Mr. DIEFENBAKER: In the course of your remarks, Mr. Chairman, you mentioned that certain groups would be welcome to give evidence before this committee—

Mr. LESAGE (Joint Chairman): I hope so.

Mr. DIEFENBAKER: I appreciate that, and I thought it was very thoughtful; but you did omit one group, and so that there may be no misapprehension on their part I think that consideration should be given to representatives of business, as you said, labour and agriculture, and also representatives of the Old Age Pension Association.

Mr. LESAGE (Joint Chairman): I said that I used a general term: national organizations and welfare organizations.

Mr. DIEFENBAKER: So there will be no misapprehension on that point, I bring that to the attention of the committee.

Mr. BROWN: Will these questions be referred to the steering committee?

Mr. HOMUTH: That is all right, but I think if this information is not available in the department it should be gathered up. I do not care whether we get the information two weeks from now, or when, but I think that only suggestions from members of this committee will bring to light the difficulties with which we are going to be faced. These suggestions are the suggestions which from time to time will go to the steering committee, but I do not think this is a haphazard way of doing it at all. This is information which we need and we will not be able to consider properly the matters referred to us, unless we have that information.

Mr. LAING: I think Mr. Homuth's request is somewhat of the type of thing that was put on the order paper by Mr. Knowles; that something in the nature of a library be made available on all these matters for members of the committee.

Mr. LESAGE (Joint Chairman): This matter will be discussed tonight at the meeting of the steering committee. The steering committee will report to the full committee tomorrow morning. I hope the steering committee will be in a position to propose a comprehensive and logical agenda for the main committee. As we go along we will try to get more details with regard to a specific program so that we can follow a logical course with the least possible delay.

Mr. FLEMING: What time does the steering committee meet?

Mr. LESAGE (Joint Chairman): Eight o'clock.

Mr. FLEMING: Will you name the members?

Mr. LESAGE (Joint Chairman): The steering committee will meet at eight o'clock in room 497. I shall get in touch with the members of the various parties.

—The meeting adjourned.

HOUSE OF COMMONS,

April 4, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 11 a.m. Hon. Mr. J. H. King and Mr. J. Lesage, Joint Chairmen, presided.

Mr. LESAGE (Joint Chairman): Gentlemen, we have a quorum. We are fortunate this morning to have with us Hon. Mr. Martin, Minister of National Health and Welfare. Before giving the report of the steering committee, Senator King, I thought it would be well if we heard a few words from the minister so that we shall know, not what his policy is, because I understand we are going to report to him on that, but to know what we can have from his department as to information and data. I am sure the committee will be pleased to hear Mr. Martin.

Hon. PAUL MARTIN: Messrs. Chairmen and members of the committee, I welcome this opportunity to say a few words as the minister responsible for government policy in the matter of old age pensions, at the outset of the deliberations of this committee. These are deliberations which I regard as being extremely important.

It is not my thought at this moment to do other than to say that the officials of my department are at the disposal of this committee in any way that this committee decides. For some time now in the Department of National Health and Welfare in our research division and on other levels of departmental activity this matter has been receiving our most careful study and attention; and I have told Dr. Davidson, the deputy minister, and Mr. Willard, our research director, and others that the first priority in the department at the present time, in so far as these gentlemen are concerned, is whatever assignments this committee may give them. Anything we can do to make your own researches more complete we shall be very pleased to do. I want you to be sure, Messrs. Chairmen and gentlemen of the committee, not to hesitate in calling upon the personnel of the Department of National Health and Welfare. They will make available for you studies that have been prosecuted in regard to what is being done in this respect in other countries, as well as various plans that you might want to consider in so far as Canadian application is concerned.

We have been giving this matter a great deal of thought, real hard thought, and you will find, as we have found, that there are many ramifications in connection with this problem. I am sure that every member of this committee will share with me the view that the common desire of everybody in Canada today is to see that we have the best system of old age security that can be devised.

Now, as the responsible minister, naturally I have to take into account not only what is within our capacity and not only what is most desirable from the point of view of an important system of old age security, but whatever step is taken I have to consider, as I am sure you will want to consider, what that means toward making more possible the development of social security in other fields.

There is nothing more I need say at this time except to congratulate you, Dr. King, on your election as one of the Joint Chairmen of this committee. It is not without significance that Dr. King, as the first sponsor of old age pensions in the House of Commons, should be presiding along with you, Mr. Lesage, one of the younger members of the House of Commons, over this important committee. I look forward to your studies; I look forward to the conclusions you will arrive at; and I know that your deliberations will greatly assist us either in confirming judgments which we have arrived at or in causing such judgments to be refined or changed, and that your work will be of very great assistance to us when we sit down at a later date to discuss this very important matter with the provincial governments.

Hon. Mr. KING (Joint Chairman): I am sure, gentlemen, that I shall be expressing your views when I extend to the minister our appreciation and thanks for his visit this morning. It is our hope that as the committee goes along with its work he may find it convenient from time to time to look in upon us. We are grateful to you, sir.

Mr. LESAGE (Joint Chairman): Now, gentlemen, is it your wish that I should read to you the report of the steering committee which met last evening? The report reads as follows:

"Gentlemen, your steering committee met last night. The members of the said steering committee are: Senators King and Vaillancourt, Messrs. Benidickson, Blair, Cote, Croll, Fleming, Lesage, MacInnis and Shaw.

I was directed by the steering committee to present the following unanimous report:

1. The members of the steering committee agree that the committee will be pressed by time if it wishes to present a report in time to be studied by both Houses at this session. From the first meeting after Easter, on the 18th of April, there are only eight full weeks up to the 10th of June. Consequently, all members of the steering committee are in agreement that the procedure to be followed in carrying out the program of work outlined herein should be followed as strictly as possible.

2. The steering committee submits that the committee should sit at least five times a week, and that any decision as to an increase or decrease of the number of sessions can be taken later, according to experience.

3. In planning the committee's program of work, the steering committee is unanimously agreed that the committee should commence by a study of the actual old age pensions program in effect in Canada, and proceed from there to a study of old age security programs in effect in other countries. Following this, the committee should consider representations from organizations which wish to present briefs. In order that these briefs may receive adequate consideration, it is recommended that they should be in the hands of the committee and available for study by April 30 at the latest. This will enable the committee to consider the material in the briefs and subsequently to call for hearing as many of these organizations as time will permit. Following the hearings from these organizations, which should commence shortly after May 1 and be completed by the end of May at the latest, the committee will then have approximately two weeks in the early part of June to prepare its conclusions and to submit its report for the consideration of both Houses by the middle of June.

4. When parliament reconvenes after Easter it is recommended that the committee start by hearing the officials of the Department of National Health and Welfare and other experts that the committee may wish to call,

first with regard to the Canadian scheme of old age pensions, and then with regard to programs in effect in the following countries: United States, United Kingdom, Australia, New Zealand, Sweden and France. It is probable that at a later stage the committee will wish to hear officials of the Department of Justice on the constitutional aspects of various plans.

5. The steering committee proposes that the services of Mr. J. W. Willard, Research Director of the Department of National Health and Welfare, be made available to the committee to assist in preparing the factual part of its report.

6. The committee will need to establish a secretariat. It is believed that at the start at least, the Department of National Health and Welfare will be in a position to supply the personnel required. It is anticipated that there will be a great deal of correspondence, numerous briefs, and much of mimeograph work in connection with the preparation of these briefs for distribution to the members of the committee. The task of the committee in this regard would be made considerably easier if the organizations sending in briefs could supply seventy-five copies, whenever possible.

Respectfully submitted."

Yesterday Mr. Homuth put in a series of questions. The steering committee has gone over those questions and it has been agreed that the answers to those questions when they are available, will form part of the first statement which we will have on the present old age program or scheme in effect in Canada at our meeting on the 18th of April when our witness will be Dr. Davidson, Deputy Minister of National Health and Welfare.

Mr. BROWN: How do you propose to let various organizations know that they are expected to present briefs to this committee before the 30th of April?

Mr. LESAGE (Joint Chairman): We will ask for the co-operation of our good friends of the Press who are well represented here.

Mr. MACINNIS: I think it would be well at this point to move the adoption of the report, and I so move.

Mr. KNOWLES: I agree with the suggestion to try to expedite the work, but I am curious as to the significance of that date, June 10.

Mr. LESAGE (Joint Chairman): That is only a tentative date, it is an objective; it might be the 15th or the 20th of June.

Mr. KNOWLES: It has no special significance?

Mr. LESAGE (Joint Chairman): No.

Mr. KNOWLES: Now I should like to ask if it would be possible for any of the material that the department has prepared for this committee to be placed in our hands before Easter so that we could study it?

Mr. LESAGE (Joint Chairman): The matter was discussed in the steering committee. It is too bad, but the answer is no. The information is not available. It will be available as soon as we come back.

Hon. Mr. MARTIN: I think I should say that while the information is available it is not in a distributable form.

Mr. LAING: May I ask if the rigid date applies also for the acceptance of briefs—the 30th of April? You say that you are attempting to get them in by April 30.

Mr. LESAGE (Joint Chairman): It would be much better for all organizations that want to send in briefs to send them in by that time. We are not saying we will not accept them after that date.

Mr. MACINNIS: I think we should make it quite clear that the steering committee thought that a particular date—this one or some other date as a final date—was an absolute necessity, so that we would not be met after we had set that date with late comers who might suggest they have briefs to present and we will have a long discussion as to whether those briefs should be accepted or not. If the date of April 30 does not give a sufficiently long time then it would be better to settle upon a date here and now, but have a definite date, whatever that date may be.

Mr. CROLL: The matter of old age pensions is not a new problem. The country has been expecting something to be done about it. The organizations interested have heard of the debates in the House, and it seems to me that we are very wise in setting a date. That date is not too far removed. Interested parties have three weeks from now to prepare their briefs. They know what the content of those briefs is likely to be. I think we had better stick to our date, otherwise we shall never be finished by June. What usually happens is that the briefs are sent in; we read a couple of briefs; and then people get new ideas, and the process is endless. Let them formulate their ideas and get them to us by that time.

Mr. FLEMING: I would like to support that thought. All angles were considered in the steering committee, and it is quite clear that the organizations that are greatly concerned with this problem have been studying it and will find that the four-week period held open for the submission of briefs will be quite ample for that purpose. It is in the interest of those who wish to be heard in support of their briefs that those briefs be in the hands of the committee by April 30; otherwise we are not going to be able to organize our work efficiently, and there is going to be a great necessity for careful organization of our work if we are going to have an opportunity to hear all those who may wish to be heard. The only way that can be brought about, it seems to me, is by getting those briefs in by the end of this month.

Mr. LAING: Has any thought been given by the steering committee to the idea, in the case of national organizations or provincial branches, of insisting upon a unified brief on the part of a national organization? I have a number in mind. In some cases a provincial branch might take the stand that a different set of circumstances appertain in their province and they would want to have separate briefs. In that case we are going to have a large number of briefs.

Mr. LESAGE (Joint Chairman): That matter has been considered by the steering committee, and the answer would be in the report itself: "This will enable the committee to consider the material in the briefs and subsequently to call for a hearing of as many of these organizations as time will permit." I know the steering committee will make a choice and will classify the briefs. Of course, the national organizations will be called first.

Mr. KNOWLES: Is it not the case that we will receive written briefs from those who send them in in time but that the committee will decide which organizations we will hear in person, and that hearing may be after April 30?

Mr. LESAGE (Joint Chairman): It will be.

Mr. KNOWLES: There are organizations, for example, like the old age pensioners' societies in the various provinces; I do not think there is a national organization.

Mr. CROLL: Yes, there is one.

Mr. BROWN: You want the briefs in by the 30th of April, but if someone comes along on the 1st of May with a good brief you are not going to throw it out?

Mr. RICHARD: If it becomes known to the public that we are going to receive briefs after that period we will have as many after as before.

Mr. KNOWLES: It might be an inconvenience to say that people had to be heard before April 30.

Mr. LESAGE (Joint Chairman): No, people will not be heard before the 1st of May.

Mr. MACINNIS: May I raise the question I brought up last night about insisting that the point I have in mind should be carried out? As heretofore, and perhaps in any report we make, having in mind that the matter of old age pensions is the joint responsibility of the federal and provincial governments, and as we are not notifying any organizations specifically by correspondence as to sending in briefs, I was wondering if the provincial departments that deal with old age pensions were in a different position, and whether they should be notified that this committee would like to get the provincial point of view.

Mr. FERRIE: Are there not as many as three governments concerned in some of the provinces—the municipalities pay a portion of the cost?

Mr. MACINNIS: I do not know of any province.

Mr. FERRIE: Yes, Manitoba.

Mr. MACINNIS: The point I had in mind—

Mr. KNOWLES: That has been changed.

Mr. MACINNIS: We should invite the provincial departments who deal with this subject—advise them that this committee is sitting and we would like to have representations if they have any to make and if they feel free to offer those representations, well and good. I thought that having the minister here personally, and having a high regard for his judgment in these matters, I should raise the question.

Mr. MACNAUGHTON: We have a report before us for consideration, and it has not been adopted yet. Why do we not cross these bridges on April 30 and in the meantime make some progress?

Mr. MACINNIS: We could adopt the report of the steering committee and deal with this question afterwards, and I so move.

Carried.

Mr. LESAGE (Joint Chairman): Now, with regard to the invitation to the provincial governments.

Mr. MACINNIS: They will have to be notified before April 30 if we decide to hear them.

Mr. BENEDICKSON: As a member of the steering committee am I right in saying that the committee was unanimous in its view that representations from some provincial governments would certainly be received and be welcomed; the only question was whether or not we should depart from our rule of notifying anybody specifically to make representations or to receive representations from anybody.

Mr. MACINNIS: That was the general idea.

Mr. CROLL: What we intended to convey was that the committee would consider representations from organizations which wished to present briefs.

Mr. MACINNIS: Provincial governments are not organizations in the same sense as these other organizations. They are not in the same position as boards of trade and chambers of commerce.

Mr. LESAGE (Joint Chairman): If we decide that the word "organization" for the purpose of this report includes anyone, including provincial departments, the question is covered.

Mr. BROWN: You cannot force a provincial government to send in a brief.

Mr. LESAGE (Joint Chairman): I do not know whether we should invite them specifically.

Mr. FLEMING: The minister is not a member but he is here this morning, and I wonder if he has any suggestion to offer us on this particular point. I take it that his department is in frequent communication with the provincial governments, and he might be in a position to help the committee on this point.

Hon. Mr. MARTIN: I hesitate to express my views, but since I am invited to speak I may say, speaking for myself, that I am anxious to get every possible point of view on this problem. We have spent a lot of time on this matter in our department, and I am sure that from the point of view of the public and parliament it would be perhaps useful that this committee have the same experience and the same searching information. While it should be realized that provincial governments are not in the same position as an organization and that a request for information to a department of a provincial government administering old age pensions should be couched in different terms—I think that must be understood—I would think that perhaps the information based on experience in administration of those administering old age pensions might be helpful.

Mr. FLEMING: I think it is clear that we should bring our hearings directly to the attention of the welfare departments of the different provincial governments and we should write a letter indicating to them that if they have anything they care to submit to us we would be pleased to receive their help in our study. I would so move.

Mr. KNOWLES: I hesitate to submit a precedent, but something did happen in the case of the 1924-25 committee: there was correspondence with the provinces which was referred to the committee so that they could have the benefit of it.

Carried.

Mr. LESAGE (Joint Chairman): Very well, I shall write to the various provincial departments which deal with old age pensions.

(Discussion with regard to the selection of an appropriate meeting place.)

(Discussion with regard to the days and times of holding meetings.)

Mr. SMITH: I notice there is some mention that the committee may wish to hear officials of the Justice Department; do you not also think that we might wish to hear from officials of the Department of Finance so as to have our work related to whatever financial implications there are?

Mr. LESAGE (Joint Chairman): It is quite possible that we shall do that: we may call officials of the Department of Finance and of the Department of National Revenue. We will know that as we go along.

The next meeting of this committee will be held on Tuesday, April 18, at 11 o'clock, and our witness will be Dr. Davidson, Deputy Minister of National Health and Welfare. This subject will be the present old age system in Canada.

—The committee adjourned.

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JOINT COMMITTEE OF THE SENATE
AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

TUESDAY, APRIL 18, 1950

WITNESS

Dr. G. F. Davidson, Deputy Minister of Welfare, Department of National
Health and Welfare.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.P.S.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950



MINUTES OF PROCEEDINGS

TUESDAY, April 18, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 11.00 a.m. Mr. Lesage, Joint Chairman, presided.

Present:

The Senate: The Honourable Senators Hurtubise, Stevenson and Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brown (*Essex West*), Corry, Cote (*Verdun-La Salle*), Croll, Diefenbaker, Ferrie, Fleming, Homuth, Knowles, Laing, Lesage, MacInnis, Macnaughton, Pinard, Robertson, Shaw, Smith (*Queens-Shelburne*), Weaver, Welbourn.

Honourable Paul Martin, Minister of National Health and Welfare, and Dr. G. F. Davidson, Deputy Minister (Welfare), were also present.

The Chairman read a copy of the letter addressed by the Clerk to the Provincial Ministers of Public Welfare, pursuant to a resolution adopted on April 4th.

Reference having been made to certain press reports on alleged statements attributed to the Minister of National Health and Welfare, the Minister made a statement in relation thereto.

Dr. Davidson was called. His written statement on Canada's Old Age Pensions program, copies of which had previously been distributed to Members of the Committee, was taken as read and ordered to be printed in the record of evidence. The witness was then examined thereon, being assisted by Mr. J. W. MacFarlane, Director of Old Age Pensions.

The following documents were distributed to Members of the Committee:

1. Old Age Pensions Act (1927) as amended up to and including 1949.
2. Report on the administration of Old Age Pensions and Pensions for blind persons in Canada under the provisions of the Old Age Pensions Act for the fiscal year ended March 31, 1949.

At 1.00 p.m., the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., Mr. Lesage, Joint Chairman, presiding.

Present:

The Senate: The Honourable Senators Hurtubise and Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brown (*Essex West*), Corry, Cote (*Verdun-La Salle*), Croll, Ferrie, Fleming, Knowles, Laing, Lesage, MacInnis, Macnaughton, Pinard, Robertson, Shaw, Smith (*Queen's-Shelburne*), Weaver, Welbourn.

The Chairman informed the Committee that a reply had been received from Hon. H. L. Pottle, Minister of Public Welfare for Newfoundland, to the Clerk's letter of April 6th.

Dr. Davidson was recalled and further examined. He was assisted by Mr. J. W. MacFarlane, Director of Old Age Pensions.

At 4.30 p.m., Members of the House of Commons were called in the House for a division and the Committee proceedings were resumed on their return.

At 6.00 p.m., witness retired and the Committee ajourned until Wednesday, April 19, at 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
April 18, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 11 a.m. Mr. J. Lesage, Joint Chairman, presided.

The CHAIRMAN: Gentlemen, we have a quorum. Dr. King, the co-chairman, wrote to me saying that he regretted that he could not be here before the 22nd of April and asked me to carry on for him.

In accordance with the motion which was agreed upon at the last meeting a letter was sent to the welfare ministers of the various provinces. The letter was signed by Mr. Arsenault, the clerk of committee, and read as follows:

SIR,—A Joint Committee of the Senate and House of Commons has been appointed to examine and study the matter of Old Age Security.

This is a subject in which your department has had much administrative experience. With this in mind, I am writing, at the request of the committee, to inquire whether in the light of this administrative experience your department wishes to furnish the committee with any information which might be helpful to it in the consideration of this problem.

In the event that you wish to do so, it would be helpful if this data could be in the hands of the committee by the 30th day of April to enable full consideration to be given to it.

This letter was sent to all the ministers of welfare of the various provinces. Is it the wish of the committee that the list of ministers to whom this letter was sent shall follow the letter in the proceedings?

Agreed.

British Columbia: Hon. George S. Pearson, Minister of Health and Welfare, Victoria, B.C.

Alberta: Hon. (Dr.) W. W. Cross, Minister of Public Health and Public Welfare, Edmonton, Alberta.

Saskatchewan: Hon. John H. Sturdy, Minister of Social Welfare, Regina, Sask.

Manitoba: Hon. Ivan Schultz, Minister of Health and Public Welfare, Winnipeg, Manitoba.

Ontario: Hon. W. A. Goodfellow, Minister of Public Welfare, Toronto, Ont.

Quebec: Hon. J. Paul Sauve, Minister of Social Welfare and Youth, Quebec, P.Q.

New Brunswick: Hon. (Dr.) F. A. McGrand, Minister of Health and Social Services, Fredericton, N.B.

Nova Scotia: Hon. Alex H. MacKinnon, Acting Minister of Public Health and Welfare, Halifax, N.S.

P.E.I.: Hon. A. W. Matheson, Minister of Health and Welfare, Charlottetown, P.E.I.

Newfoundland: Hon. (Dr.) H. L. Pottle, Minister of Public Welfare, St. John's, Nfld.

No answers have been received as yet from the provincial ministers although I had a communication from the legal adviser of the pension commission for the province of Quebec asking that the minutes of proceedings be sent to them as they are printed.

No national organizations have up to now sent in written representations. Some local organizations have done so. A few inquiries on procedure to be followed have been made. I am sure, and I say it again, that all the members of the committee would highly appreciate having the views of national bodies—for instance, bodies connected with labour, trade, and industry—on possible systems of old age security in Canada.

I had asked that briefs be in before May 1st, and I would like to draw the attention of all interested parties to the fact that May 1st comes in less than two weeks. As I said, I have received representations from local organizations and also from a great number of individuals. I am having a summary of such representations prepared from day to day, so that in a few days I shall be in a position to let the committee know what kind of representations we have received from local organizations and individuals.

A secretariat has been set up. Miss Waters, the Secretary of the Department of National Health and Welfare, is in charge of the secretariat which has its offices on the third floor of the Trafalgar Building.

Mr. J. W. Willard, whom we have asked, has agreed to be our research adviser and he is going to do the job of research for us. He has a staff which is also in the Trafalgar Building, on the third floor, where offices have been put at our disposal.

This morning we distributed the Old Age Pensions Act and the annual report of the Old Age Pensions Division of the Department of National Health and Welfare for last year.

Now, coming to Mr. Homuth's questions, a copy of which he filed when the Committee last met on April 3rd. All the information asked for will be found in the annual report and in the brief that Dr. Davidson is going to deal with this morning. It was distributed last night and this morning to members of the committee. There is only one question asked by Mr. Homuth to which no answer is given. It is question number seven on page seven of the printed report and read as follows:

Is the information available as to how many old age pensioners in each province have an estate which can be levied against on their death and what are the figures?

That is the only one on which we have no information.

As has been decided by the steering committee, which decision was approved unanimously by this committee, I propose that we hear Dr. Davidson on the present scheme of old age security in Canada.

Mr. HOMUTH: Before we proceed with Dr. Davidson, I think there is a matter which we should clear up and clear up very definitely. This committee was set up for the purpose of trying to find a solution towards giving the old age pensioners of this country a little more comfortable life than they have, and at our original meeting I asked these questions. At that time Mr. Croll took exception because he felt that I was going to lead the committee off to one side, and so on, and that would disrupt the work of the committee.

The questions were very important to the findings of this committee. During the Easter recess all of us went to our homes, if that was possible. I was at several meetings, and naturally I was asked what the Old Age Security committee is going to do, or what is the social security committee going to do, and I was very careful to try and explain to them that we are trying to work out a scheme whereby the old age pensioners in this country will get a little

better treatment than they do now; but I did not prognosticate what the committee was going to do because, after all, that is in the hands of the committee. Then one night I came back home and I picked up the *Toronto Daily Star* and I found that the Minister of National Health and Welfare had made a speech in Leamington. He had also been there when the deliberations were carried on between the Ford employees and the Ford Motor Company in connection with a threatened strike. The headline in the *Toronto Daily Star* read as follows:

Means Test Abolition to Mean \$95 Monthly by Ford Plan—Martin.

I think that this committee ought to know right now whether Mr. Martin yesterday gave an answer to Mr. Knowles' question in the House. It was an evasive answer, and I say that not unkindly, but it was not an answer to the question.

Apparently, the Ford strikers decided that they would not go on strike because if they were going to have \$40 a month without a means test and they got \$55 from the Ford Company, they would have \$95 a month, as against \$100 in the United States.

Mr. KNOWLES: \$135 in the case of a married couple.

Mr. HOMUTH: Now, was this done in order to save the government from a very difficult labour strike in this country or was it a declaration of government policy? If the abolition of the means test at 70 years of age is government policy, then all the work of this committee is abortive, and we might as well fold up right now. Let the government bring in its bill abolishing the means test. If it was not government policy then it certainly was unfair to the men of the Ford Motor Company for the government to make a promise such as that. I think a matter that ought to be cleared up in this committee is whether or not members of this committee are going out—and particularly a cabinet minister or other members of the government—making promises to people while this committee is sitting. We are working on the question as to what we can do for old age pensioners in this country. I do think it is an insult to this committee for members to go out and enunciate a policy on this subject and have this committee sitting for months trying to work out a policy only to find that the government already had a policy on the question.

Hon. Mr. MARTIN: I think that I should clear the matter up right now.

The CHAIRMAN: I believe the matter could quite easily be cleared up because the minister, the Honourable Mr. Martin, is here.

Mr. KNOWLES: I move that he be heard.

The CHAIRMAN: Yes, I imagine it would be the wish of the committee that Mr. Martin would comment first on the statement made by Mr. Homuth, and then, on the report which appeared in the *Toronto Daily Star*.

Hon. Mr. MARTIN: Mr. Chairman, I am very glad that my honourable friend has brought this matter to the attention of the committee.

Mr. KNOWLES: Let's have it complete.

Hon. Mr. MARTIN: The reference was to an article which appeared in the *Toronto Daily Star* of April 11. The first time I saw it I noticed that it did not quote me at all, but rather that it was an interpretation of what the reporter understood indirectly had been said. The report suggests that I was understood to have said certain things about pension provisions and I quote: "The company offer follows a joint company-employee conference with Hon. Paul Martin, federal Minister of Health and Welfare, in which the minister indicated his belief there will be a national old age pension of \$40 a month at age seventy with no means within two years".

I think Mr. Homuth will agree when I say that that is not quoting me directly. May I say this: I did not see the article itself at the time, but I was told about it over the telephone by my office while trying to get in a few days' holiday, and I authorized my office to make the following statement at once which appeared in the *Windsor Star* of Wednesday of last week. It is as follows:

Ottawa—As the result of a story appearing in a Toronto newspaper which quoted Hon. Paul Martin, national health minister, as stating the government was preparing for legislative action on a \$40 monthly pension for Canadians, without a means test, the following statement was issued today from the minister's office:

At a meeting a few weeks ago of representatives of Local 200, U.A.W.-C.I.O., and Ford Motor Company of Canada, Limited, with Hon. Paul Martin, it is understood here he did not discuss with the union or company any specific proposals, either with regard to amount or eligibility or any other detail of any proposed social security legislation.

Mr. Martin simply made it clear that formulation of any new dominion plan could not be expected early enough to influence the negotiations between Ford of Canada and the union.

He expressed the hope that as a result of a study being undertaken by a joint committee of the House of Commons and Senate, that the dominion government would be in a position to discuss with the provinces in the fall of this year a greatly improved old age security plan.

As to the details of the amount of pension it would provide Mr. Martin had no opinion in advance of the study now being made by the joint committee.

At that particular meeting I did not say anything about old age pensions or the position of the government, which was not clearly later stated by me in the House on March 10, 1950, when I said (page 643 of *Hansard*):

As we approach these discussions with the provinces, it will be helpful for us to have the considered views of all the parties in this House, of organized labour, of industry, of representative social welfare organizations, and of other interested groups in our population, who have given study through the years to the important question of old age security. I believe that in the formulation of a policy nothing could be more desirable, before we finally meet the provinces, than to take the organized labour groups of this country into our confidence through this committee, as well as the farmers and other organizations. I think that attitude, and that approach, will commend itself to all hon. members.

Later on, at the bottom of page 644 I said:

With that in mind, what we wish to do is to develop, within the limits only of the financial capacity of our people, and with due regard to our over-all commitments in all fields of social security and other governmental responsibilities, the simplest, most effective and most humane system of old age security that it is possible for us to devise. We wish to do this, not in open disregard of provincial rights or interests or concerns, but in full consultation, agreement and partnership with them. This, Mr. Speaker, is our objective in the field of old age security. It is with this, along with other equally important matters in mind, that we look forward to our conference with the provinces in the autumn of this year. It is for the purpose of enabling us to consider every possible point

of view which could be of advantage to us in formulating future plans and programs that we are proposing to set up this joint committee of both Houses.

Now, with regard to the question raised yesterday in the House, when I happened to be otherwise engaged, I made a reply last night, and I said that the only assurance that could be given was that this matter would receive the fullest attention it would be possible for the government to give it when it was before this committee and that the setting up of this committee was an indication on our part that we intended to give this matter the fullest attention. I have before me the Canadian edition of the *United Automobile Worker* for March 1950 which confirms this, and in part it reads as follows:

Federal Health Minister Paul Martin told the negotiating committee and Wallace H. Clark, company industrial relations director, that his government "just cannot" do anything about eliminating the means test in Canada's Old Age Pension Act until after a scheduled conference of the Dominion and the provinces next fall.

Mr. MacINNIS: Mr. Chairman, I wonder if we could shorten this discussion? For that purpose I have two questions I would like to ask the minister, and they are very short questions: First, did a delegation from the automobile workers or from the automobile workers negotiating committee interview the minister?

Hon. Mr. MARTIN: When?

Mr. MacINNIS: Over the Easter holidays, or over the weekend.

Hon. Mr. MARTIN: No, no; but I would say that around April 10, I forget the exact date, the workers and the company—and I may say there are quite a few workers' representatives that have seen me recently—

Mr. MacINNIS: I am not concerned about the others, but did you see them?

Hon. Mr. MARTIN: Yes, I did, among others. They had come to review phases of the matter. We discussed such things, for instance, as the various pension schemes now operating in the United States, and there was a refutation of the statement that in some systems over there the state or federal governments made a contribution to the fund.

Mr. CROLL: Did you say April 10? Did you mean April 10?

Mr. KNOWLES: You mean March, March 10, that was when the joint delegation with regard to old age security and so on was down here.

Hon. Mr. MARTIN: We discussed, for instance, some reports in circulation as to how the various funds were made up in different parts of the United States; that is, contributions being made by the workers and by the employers, and the report or rumour that those contributions were supplemented by contributions made by the state or federal governments. I pointed out that this was not the case with the orthodox contributory retirement schemes in the United States, and that neither the federal or state governments contributed anything. The facts about that scheme were brought out in the discussion. I indicated further with regard to all of these matters that we were going to have a conference in the fall when these matters could be discussed; and that in the light of discussions of the kind we were then holding and the conferences which were in contemplation we would be able to ascertain what could be done about improving our system of old age security; but there were no assurances of any kind given. I have stated already that I, as head of the department concerned, and the government, are doing everything possible to try and bring about the best possible scheme of old age security that we can devise.

Mr. MACINNIS: The answer is not very satisfactory because a very simple answer could have been given to my question which was: did the minister meet a delegation or the negotiating committee of the automobile workers which gave rise to the item which appeared in the *Toronto Daily Star*?

Hon. Mr. MARTIN: Well I would say the answer to that question would be: No. Mr. Burt himself called my office and complained to my secretary about that article and said that it did not represent the nature of our discussions. I agree fully with Mr. Burt.

The CHAIRMAN: I do not know how far we can go in this matter.

Mr. MACINNIS: I am trying to get a simple answer to a simple question: Did the minister make any statement in that regard to the negotiating committee, or advising the negotiating committee, that would substantiate the report which appears in the *Star*, on which it could be based.

Hon. Mr. MARTIN: I have already said, No.

The CHAIRMAN: The answer to that question has been given I think at least three times, and the answer was, No.

Mr. MACINNIS: Very well then, but as far as the reasons for it are concerned, I am afraid the minister is not entirely clear.

Hon. Mr. MARTIN: The reason was, as I stated in my opening remarks, that the article as it appeared in the paper referred to did not represent the situation as I knew it, and I therefore authorized the statement, which I have just read to be made in order to clear the matter up.

Mr. KNOWLES: Might I ask the minister just one question? It is with respect to the answer he made last night in reply to my question in the House. I had asked him whether he had made any statement to the management or workers of the Ford company that could be taken as an assurance that they could settle their pension negotiations on the basis of the means test being removed from old age pensions. This was the minister's reply: The only assurance I could give would be that the government was most anxious to give this whole question the fullest consideration and that it was doing so. My question to him was this: was any such assurance as had been referred to in this article given to the Ford people, or are we to take the assurance he gave us in the House last night?

Hon. Mr. MARTIN: What I object to about your question is the way in which it is framed. It is much the same as the one that you asked in the House last night, and I could not allow the question to be put in that form. I simply pointed out that the only assurance I could give, and the only assurance that I or the government were authorized to give, is that we are doing our best in the light of our obligations as a federal government to the people no less than to the provinces, to devise a satisfactory old age security system and put it into effect.

Mr. KNOWLES: That is not an answer to my question. The minister was telling us last night that he gave some kind of assurance to the Ford people.

The CHAIRMAN: Yes, he just said what it was.

Hon. Mr. MARTIN: The assurance I gave was that we would do the best we could to devise the most satisfactory old age security system possible.

Mr. KNOWLES: I asked him whether some kind of assurance had been given to the Ford people.

Mr. BROWN: Mr. Chairman, I think I could give some confirmation of the minister's statement because I was present throughout the whole of the conference and I think the statement he has made as to the conference of March 10 or thereabouts—I am not sure as to the date—is substantially correct; that there were no assurances given to the Ford people or to labour. He merely stated the facts as to what they have in the United States and the facts as to what there

is in Canada; and there was no assurance in my presence—and I was there throughout the whole of the conference as the member from Essex West—there was no such assurance given as is reported in this article which appeared in the *Toronto Daily Star*.

Mr. MACNAUGHTON: Let us proceed, Mr. Chairman.

The CHAIRMAN: Yes. I wish to thank both the gentlemen who put these questions and the minister who has answered them, because it clears the air.

Mr. HOMUTH: I am quite willing to accept the minister's answer but I did feel that this was a matter that had to be cleared up, because there was the feeling throughout the country that they were given this assurance; but as far as I am concerned, I am quite willing to let the matter ride.

Mr. BENEDICKSON: Mr. Chairman. I believe we decided in this committee that we would follow the agenda prepared and submitted to us by our steering committee and I do not think we should deviate from that decision. I think the consent of the committee should be obtained before a matter of this kind is brought forward for discussion, and I do not think that we need to thank anybody particularly for contributions of this kind.

Mr. CROLL: Mr. Chairman, may I say how disappointed I am at the proceedings this morning. I had hoped that what the minister would have to say would be of guidance for this committee toward its objective. I fully agreed with the article. I thought that was as it should be. I am sorry that the minister now states that he did not make such a statement.

The CHAIRMAN: Well, I don't believe members of the committee will agree with Mr. Croll because as I understand it we have had a lot of useful information placed before us on this matter. I think it was one in which not only the people of Canada are interested, but also one that members of the committee and members of the government should take into consideration, and that we should hear comments on it. I am sure that we all want to consider what is to the best advantage of Canada, and in doing so we invite and need the help of all Canadian citizens to the end that we may work out, as the minister says, the best possible scheme of old age security.

Now, shall we proceed, gentlemen?

Mr. MACNAUGHTON: Call the witness.

Dr. G. F. Davidson, Deputy Minister of Welfare, called.

The CHAIRMAN: Dr. Davidson wishes to have Mr. MacFarlane with him. Mr. MacFarlane is the director of old age pensions.

Agreed.

Is it the wish of the committee that Dr. Davidson read his statement? It was distributed last night.

Some Hon. MEMBERS: No, no.

Mr. FLEMING: If there is no objection, I suggest that we follow the procedure discussed in the steering committee. It was that Dr. Davidson would take his written statement page by page and make comments on significant features.

The CHAIRMAN: I believe that would be agreeable to the committee.

Mr. CROLL: I suggest that his presentation be put on the record.

The CHAIRMAN: Yes.

Mr. FLEMING: On that point we had better lay down a procedure. Shall we print the submission in the body of the proceedings or as an appendix?

Mr. KNOWLES: I would suggest that it be printed as an appendix.

The CHAIRMAN: Are you not afraid that people reading the reports will not be able to understand fully what went on?

Mr. FLEMING: I think it would be better if the statement were put right into the text of the proceedings and we will just have to do the best we can in identifying the pages. The pages in the mimeographed copy will not be the same as those in our proceedings.

The CHAIRMAN: Well, is it agreed that the statement be printed in the text of our proceedings?

Agreed.

Mr. KNOWLES: It should be made clear that it was not read.

The WITNESS: I will then, Mr. Chairman, tender this statement.

CANADA'S OLD AGE PENSIONS PROGRAM

FOREWORD:

A comprehensive review of the old age security provisions in effect at present in Canada should normally, of course, take into account a wide variety of programs currently in effect, under both public and private auspices.

Such a study would involve, in addition to the public provision made under Federal and provincial old age pensions legislation, examination of the provisions of the War Veterans' Allowance Act, the dominion government annuities program, federal, provincial and municipal superannuation schemes, industrial and commercial pension plans, and the substantial volume of private provision for retirement made through commercial life insurance companies.

It is not possible, within the compass of this brief memorandum, to examine in detail such a wide variety of programs. Consequently, it is proposed to deal herein solely with the Old Age Pensions Act and the various features of this law as it presently operates which are likely to be of greatest interest to the Committee in the study which it is presently undertaking.

HISTORY:

The present Federal Old Age Pensions Act goes back in its earliest origins to March, 1927, when the parliament of Canada enacted as Chapter 35 of the statutes of that year the first old age security law to be placed upon the statute books in Canada.

Many years of discussion in parliament preceded the enactment of this law. Beginning with the session of 1906-07, the subject of old age pensions began to attract increasing attention in discussions in the House. These first evidences of interest coincided roughly in time with the enactment of the first old age pensions legislation in the United Kingdom: and there is little doubt that it was the legislative action of the United Kingdom parliament which first stirred the interest of Canadian legislators in this question.

The period 1906 to 1926 was marked by an increasing and constantly recurring interest. The first legislative action on the part of the Canadian parliament came quickly with the passage in 1908 of the first Government Annuities Act. Following upon that action came the appointment of a series of committees to study the problem of the aged, and renewed discussion from time to time of resolutions relating to old age pensions in the House of Commons.

Finally, on July 1, 1924, a special committee of the House reported the following recommendations:

1. That an old age pension system be established at the earliest possible date for deserving indigent persons of 70 years of age and upwards.

2. That applicants for pensions must be British subjects of at least 20 years' residence in Canada, or naturalized subjects of at least 15 years' naturalization and 25 years' residence.

3. That the maximum rate of pension be \$20 per month; which would be lessened by private income or partial ability to earn.

4. That one-half of the pension payable be borne by the federal government; the other half by the provincial government of such provinces as express by legislation the desire to adopt the system—the cost of administration to be borne by the provincial governments.

These recommendations, after further study by a committee of the House established in 1925 to consider the views of provincial governments, and in particular the constitutional aspects of the problem, were embodied in a resolution placed before the House on March 26, 1926, by the Acting Minister of Labour.

Following passage of this resolution, the House considered and passed on May 28, 1926, an Old Age Pensions Bill embodying the principles contained in the resolution itself. The Senate, however, rejected the bill.

An identical resolution and bill were presented to the House and passed a year later, on March 4, 1927. On this second occasion, the Senate quickly passed the bill, and it was finally given royal assent on March 31, 1927.

Passage of this permissive federal legislation did not, however, make pensions immediately available to the aged of the provinces. Provincial enabling legislation had to follow, and after that, agreements had to be negotiated with each province before pension payments could commence.

British Columbia was the first province to pass the necessary legislation and to commence payment of pensions following the negotiations of a dominion-provincial agreement as required by the Act. The first dominion-provincial old age pensions were paid in that province in September, 1927. The other provinces and territories joined in the following order:

British Columbia	September 1, 1927
Saskatchewan	May 1, 1928
Manitoba	September 1, 1928
Alberta	August 1, 1929
Northwest Territories	January 25, 1929
Ontario	November 1, 1929

With the onset of the depression, it became increasingly apparent that the provinces which had not yet entered the scheme would have great difficulty in committing themselves to the heavy extra expenditures involved in paying one-half of the cost of pensions, as provided in the Act of 1927.

Accordingly, the federal government amended the Act to provide that as from July, 1931, the federal share of pensions paid would be increased from 50 per cent to 75 per cent, and the provincial share reduced from 50 per cent to 25 per cent. This action on the part of the federal government not only provided substantial financial relief to provinces already in the scheme, but provided additional incentive for provinces to enter the scheme. The remaining provinces accordingly entered, and began to pay old age pensions on the following dates:

Prince Edward Island	July 1, 1933
Nova Scotia	March 1, 1934
New Brunswick	July 1, 1936
Québec	August 1, 1936

With the entry of Quebec into the program on August 1, 1936, pensions became payable throughout all of Canada except for the Yukon Territory. It was not, however, until April 1, 1949, with the entry of the Yukon Territory on the same date as the new tenth province of Newfoundland, that it was possible to say, in literal truth, that old age pensions were payable throughout all parts of Canada without exception.

MAIN FEATURES OF PRESENT PLAN

The old age pensions program presently in effect through Canada differs, of course, in many points of detail from the original enactment; but in its broad outlines, it still adheres to the general pattern and principles of the 1927 law.

It remains today, as it has been from the beginning, a means test program of pensions to the needy aged 70 years of age and over, with 20 years' residence in Canada. It continues to adhere to the principle of provincial administration of the program under joint dominion-provincial agreement, with over-all federal supervision and audit, and federal reimbursement of a substantial portion of the pension costs. Administration costs continue to be the exclusive responsibility of the provinces, except for federal costs incurred in connection with supervision and examination procedures. The legislative basis of the program continues to be the basic law as enacted and amended from time to time by the federal parliament: but this law, to be effective in the provinces, has to be implemented by provincial enabling legislation authorizing the provinces to enter into an agreement respecting pensions with the federal authority, and to pay pensions in accordance with such agreement. Once such an agreement is signed with a province, the federal authority is bound by the terms of the federal law to adhere to the agreement, and must give to the province ten years' advance notice of its intention to terminate the agreement. (Old Age Pensions Act, Section 4.)

The effect of this is that no alterations can be made in the agreement, once signed, except by mutual consent: and even such changes as may be effected from time to time by amendments to the federal law, enacted by parliament, can not be made effective in any province unless that province consents to amend its agreement accordingly.

Likewise with respect to detailed regulations passed under the authority of the federal law, it is specifically provided in the federal law itself that, except for the regulations in effect and accepted by a province at the time of its entering into an agreement with the federal authority, no amendments to the regulations passed under the federal Act can have effect in any province except with the consent of the province itself. (Old Age Pensions Act, Section 19(2).)

The effect of these two provisions respecting change in the regulations and the advance notice required for termination of an agreement—provisions which were in the original Act of 1927 and which remain in the Act to this day—is to ensure that after a provincial government has entered into an old age pensions agreement with the federal government, subsequent changes in the federal Act or regulations shall be applied in each province only with the consent of that province. Changes in the Act may still be enacted by the federal parliament. Likewise changes in the federal regulations may be made

by the Governor in Council. But in both cases these changes can only be made effective in the provinces on a basis of "mutual consent".

The machinery by which this "mutual consent" is achieved, so far as the regulations are concerned, is the Interprovincial Old Age Pensions Board, established under the authority of the federal Old Age Pensions Act, and consisting of two representatives from each of the participating provinces or territories, and two representatives of the federal government. The membership of the board presently numbers 24, of whom 20 are provincial government representatives, 2 representatives of the Yukon Territory, and 2 representatives of the federal government. This board meets from time to time as required to review existing regulations and to consider the need for changes. Whenever changes can be agreed upon informally, these are brought to the attention of the Governor in Council and of all the provincial governments. Only upon approval of these changes in the regulations on the part of the Governor in Council and by the provincial governments are the new regulations proclaimed and made effective. While the procedure may appear to have the disadvantage of a certain degree of inflexibility, it safeguards the position of both the federal and provincial parties to the joint program and ensures that only those changes are made which commend themselves to all parties by "mutual consent".

MAIN CHANGES SINCE 1927

So much for the general principles underlying the joint dominion-provincial scheme, which in its broad outlines has remained essentially unchanged since 1927. Important changes have, of course, been made in the intervening years in points of detail: and these have uniformly had the purpose and effect of broadening the categories of eligibility, reducing the provincial share of pension costs, and providing more adequately for the needs of those on pension.

While the age of eligibility has remained unchanged at 70, the maximum pension payable under the Act has been increased from \$20 to \$40 in the period 1927 to 1949. The relationship of these changes to the changes in the cost of living index which have taken place during the intervening years is shown in the attached chart (A). The federal share of pensions paid has also, since 1931, been increased from 50 per cent to 75 per cent and the provincial share correspondingly reduced from 50 per cent to 25 per cent. The result of these two changes is that while the maximum federal contribution to any given pension has increased threefold, from \$10 to \$30, in the period since 1927, the maximum provincial contribution (apart from provincial supplements which may be paid) is today \$10, no higher than it was when the law was first enacted.

This has not meant, however, that total provincial expenditures on old age pensions have remained at a standstill: for increasing numbers of persons have come on old age pension annually as the numbers over 70 have increased and as the means test features and other eligibility requirements have been relaxed and made more generous.

In 1927, for example, the total amount of income permitted to a single pensioner, including his pension and any other outside income, was set at \$365 a year. Through successive adjustments this has now been raised to \$600 a year. In the case of married pensioners, the income ceiling, inclusive of pension,

has been raised from \$730 a year (including the income of both spouses) to \$1,080 a year. The relationship of these income ceilings to the changes in the cost of living index since 1927 is shown in the accompanying chart (A).

CHART "A"

SHOWING VALUE OF MAXIMUM PENSION PAYABLE FROM TIME TO TIME IN RELATION TO CHANGES
IN COST OF LIVING INDEX

September 1927-March 1950

(Base: Cost of Living Index 1927.....119.9
Maximum Pension September 1927.....\$240 per annum
Maximum Allowable Income (single) Sept. 1927.....\$365 per annum)

	Cost of Living Index	Maximum Pension Payable	Maximum Pension in 1927 Dollar Values	Maximum Income Allowable (single)	Maximum Income Allowable (single) in 1927 Dollar Values
Sept.-Dec.—1927.....	119.9	\$240	\$240.00	\$365	\$365.00
1928.....	120.5	240	238.80	365	363.18
1929.....	121.7	240	236.44	365	359.60
1930.....	120.8	240	238.36	365	362.28
1931.....	109.1	240	263.36	365	401.13
1932.....	99.0	240	290.68	365	442.06
1933.....	94.4	240	304.84	365	463.59
1934.....	95.6	240	301.00	365	437.78
1935.....	96.2	240	299.12	365	454.92
1936.....	98.1	240	293.32	365	446.11
1937.....	101.2	240	284.36	365	432.45
1938.....	102.2	240	281.56	365	428.21
1939.....	101.5	240	283.52	365	431.17
1940.....	105.6	240	272.52	365	414.42
1941.....	111.7	240	257.80	365	391.80
1942.....	117.0	240	245.96	365	374.28
Jan.-Aug. —1943.....	118.4	240	243.04	365	369.64
Sept.—Dec. 1943.....		300	303.80	365	369.64
Jan.-Apr. —1944.....	118.9	300	302.52	365	368.68
May-Dec. 1944.....		300	302.52	425	428.56
1945.....	119.5	300	301.00	425	426.44
1946.....	123.6	300	291.00	425	412.28
Jan.-Apr. —.....	128.6	300	279.72	425	396.24
May-Dec. —1947.....	135.5	360	318.84	600	531.52
1948.....	155.0	360	278.48	600	464.13
Jan.-Apr. —1949.....	159.4	360	270.76	600	451.32
May-Dec. —.....	161.6	480	356.12	600	445.17
Jan.-Mar. —1950.....	162.1	480	355.08	600	443.80

The result of these higher income ceilings has been to admit to eligibility for full or partial pension substantial numbers of persons who in earlier years would have been ineligible for consideration. This fact, together with the increase in the total number of persons over 70, the amendments of 1937 to include the blind from 40 years of age (reduced to 21 in 1947), the relaxation of residence requirements, and the abolition of the citizenship requirement, has resulted in substantially increased numbers of pensioners, with consequent increases in provincial as well as federal costs through the years.

THE CURRENT SITUATION

The effects of these changes in the legislation, and of the increase in the numbers of persons reaching 70 years of age, on the case load and costs of old age pensions are shown in the accompanying chart (B).

CHART "B"

CASE LOAD AND COSTS—OLD AGE PENSIONS 1936-1949

Fiscal Year	Number of Pensioners	Federal Payments	Provincial Payments
1936-37.....	146,524	\$ 21,149,351.52	\$ 7,039,783.84
1937-38.....	175,673	28,524,587.23	9,508,195.74
1938-39.....	181,514	28,283,284.11	9,427,761.37
1939-40.....	186,035	29,080,630.90	9,693,543.63
1940-41.....	185,946	28,901,932.75	9,633,977.58
1941-42.....	185,922	28,530,907.52	9,510,302.51
1942-43.....	183,601	28,861,185.55	9,620,395.18
1943-44.....	181,384	32,195,592.11	10,731,864.04
1944-45.....	187,512	39,503,027.55	13,167,675.85
1945-46.....	196,941	41,291,227.09	13,763,742.36
1946-47.....	209,029	43,829,579.98	14,609,859.99
1947-48.....	229,158	56,978,389.27	18,992,796.42
1948-49.....	251,865	64,232,210.92	21,410,736.97

NOTE.—For the years prior to 1936-37, some of the provinces were not yet in the scheme. For the years shown above, the figures include all parts of Canada except Yukon Territory and Newfoundland which did not enter the scheme until April 1, 1949.

Case loads and costs with respect to the blind are excluded from the above.

When the complete figures for the fiscal year 1949-50 are available, it is expected that they will show almost a two-fold increase in case load and a four-fold increase or more in costs as compared with 1936-37.

While these increases are substantial, it is none the less pertinent to note that the increase in case load is almost exactly in proportion to the increase in the number of aged persons over 70 in the population. The actual percentage of persons over 70 on the pension rolls is not significantly higher today than it was in the earlier years of the scheme.

As a matter of fact, as shown by chart (C), the percentage of pensioners to the population 70 and over has actually declined in four provinces in the years 1938-49. The largest increases percentage-wise have been in the maritime provinces, which have the smallest populations and therefore a relatively slight effect on the national average. To offset the increases in the maritimes, three of

CHART "C"

PERCENTAGE OF POPULATION AGE 70 AND OVER IN RECEIPT OF OLD AGE PENSIONS, BY PROVINCE
1938 to 1949

—	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	N.W.T.	Yukon	CANADA
1938.....		29.7	48.5	58.3	44.7	33.8	49.4	52.1	49.4	35.4	5.7		41.1
1939.....		31.5	49.4	59.3	46.3	33.6	48.9	51.6	48.9	35.8	4.2		41.5
1940.....		33.5	49.3	59.7	46.7	33.1	48.9	50.9	49.2	36.2	4.0		41.4
1941.....		33.7	48.3	57.9	45.8	32.0	48.0	50.6	47.1	36.2	4.4		40.4
1942.....		33.7	46.8	57.2	44.1	31.2	46.0	51.0	46.6	35.3	4.4		39.4
1943.....		32.3	45.3	56.5	42.7	29.8	44.0	48.4	45.3	33.0	4.4		37.8
1944.....		32.0	43.7	55.3	41.9	28.3	41.5	45.4	42.1	31.7	6.0		36.3
1945.....		30.9	43.4	56.5	42.9	28.9	41.1	42.3	41.2	32.5	6.6		36.7
1946.....		31.9	45.4	58.1	43.4	29.2	43.0	45.0	43.8	32.7	8.2		37.4
1947.....		34.1	45.8	60.5	44.0	29.7	41.7	44.0	42.7	32.6	8.7		37.6
1948.....		39.0	50.0	64.6	46.9	30.9	43.1	43.0	41.8	35.0	10.4		39.4
1949.....		42.0	53.6	68.2	48.4	32.8	43.7	42.8	42.3	38.2	10.9		40.3

Pension case loads as of March 31st each year.

Population estimates as of June 1st each year.

the four western provinces have actually shown decreased percentages. Ontario in 1949 was slightly below its 1938 percentage: Quebec considerably above. The result on a national basis is that the percentage of pensioners to population over 70 years of age in 1949 was actually slightly below that of 1938—40·3% as against 41·1%.

PROVINCIAL VARIATIONS

While this percentage has remained remarkably constant from year to year for the country as a whole, it is perhaps pertinent to note the very wide variations in the percentage of persons over 70 on pension in the different provinces. At one extreme is the province of New Brunswick with 68·2% of its population over 70 actually on pension in March 1949. (It is expected that when 1949-50 figures are available, they will show more than 70% of the population 70 and over on pension in New Brunswick and Newfoundland.) At the other extreme is the province of Ontario which, on March 31, 1949, had only 32·8% of its population 70 and over on pension. The other provinces cluster more closely around the national average of 40·3%, with Nova Scotia (53·6%), Quebec (48·4%), Manitoba (43·7%), Saskatchewan (42·8%), Alberta (42·3%) and Prince Edward Island (42·0%) above the average, and British Columbia (38·2%) slightly below the average.

These variations reflect to some extent the relative economic circumstances of the aged in different parts of Canada: for example, it is not difficult to accept the inference that the percentage of pensioners in Ontario and British Columbia is relatively low because there are more aged persons in those provinces who are able to maintain themselves without public assistance. Likewise, it is to be expected that in the economically less favoured provinces of Newfoundland and New Brunswick a relatively high percentage of the aged would find themselves in need.

VARYING ADMINISTRATIVE PRACTICES

It is to be doubted, however, whether this is the full explanation of the wide degree of variation between the provinces. At least a part of the explanation is also probably to be found in different administrative practices prevailing in the various provinces within the over-all limits imposed by the federal law and regulations.

The fact is that while the federal law and regulations appear to prescribe fairly uniform procedures for determining eligibility for pension, there is none the less a considerable degree of variation between the provinces in the application of these procedures. The way in which income is calculated for the purpose of determining eligibility for pension and the amount of pension to which an applicant may be entitled serves as an illustration.

While the federal regulations (see regulations 10 and 11) provide that in determining the amount of pension to which an applicant is entitled the provincial pension authority shall "take into account the amount or value of all income and contributions received, whether in cash or in kind" (with certain stated exceptions), no specific direction is given as to the exact way in which certain types of "income" are to be calculated.

FREE BOARD AND LODGING

For example, in the case of pensioners who receive free board or lodging (or both), while the federal regulation states that these "contributions" must be "taken into account", it is left to the provincial pension authority to determine the actual value to be placed upon board and lodging in the calculation of an applicant's income. In actual fact, there is a wide degree of variation on this point between the various provinces as shown by the following chart (Chart "D").

CHART "D"

VALUES PLACED UPON FREE BOARD AND SHELTER FOR PURPOSES OF CALCULATING INCOME
UNDER OLD AGE PENSIONS ACT
(By Provinces, March 1950)

—	Alta.	B.C.	Man.	N.B.	N.S.	Ont.	P.E.I.	Que.	Sask.	Yukon	Nfld.
SINGLE											
Free Shelter.....	\$ 60	\$ 60	\$ 60	\$105	\$ 60	\$120	\$ 60	\$120	\$ 60	\$ 60	\$ 60
Free Board.....	120	120	65	105	90-180	180	240	210	120	300	180
Free Board and Shelter.....	180	180	125	210	210 or less	300	300	330	180	360	240
MARRIED COUPLE											
Free Shelter.....	\$120	\$120	\$120	\$210	\$120	\$180	\$120	\$120	\$ 90	.....	\$120
Free Board.....	240	240	130	210	180-360	300	480	420	240	.....	360
Free Board and Shelter.....	360	360	250	420	420	480	600	540	360	.....	480

Date for Alberta and P.E.I. as reported Jan., 1949.

Data for other provinces as reported Mar. 1950.

On the basis of the various provincial rates set forth in this chart, a pensioner with no other assets or income, living with his son and receiving free board and lodging, would be eligible to receive a pension of \$475 yearly in Manitoba, \$420 in Alberta, British Columbia and Saskatchewan, \$390 in New Brunswick and Nova Scotia, \$360 in Newfoundland, \$300 in Ontario and Prince Edward Island, \$270 in Quebec and \$240 in the Yukon Territory. These figures illustrate two points: first, that the values placed by the provincial pension authorities on free board and lodging for purposes of the calculation of income are generally far below the actual current values of such board and lodging; and, second, that in at least certain areas of the administration, provincial pension authorities have a significant degree of latitude in determining, within the general framework of the federal Act and regulations, the actual amount of pension to which an individual applicant is entitled.

INCOME FROM REAL PROPERTY

This same variation as between the provinces is apparent from an examination of the way in which provincial pension authorities apply the federal regulation 11(a) which requires income from real property to be taken into account in determining the amount of pension. The regulation states that in the case of an applicant living in his own home, the pension authority shall "consider as income an amount that, in the opinion of the pension authority, is fairly equivalent to the amount that the pensioner might reasonably be expected to pay for rent, but in fixing such amount, the pension authority may, in its discretion, deduct all or any part of the cost of maintaining such property", etc.

This regulation is applied in widely different ways by the different provincial pension authorities. British Columbia, Manitoba, and Alberta take 5% of the assessed value of the property (less encumbrances) as the fair rental value and calculate this as income in determining the amount of pension. Quebec does the same for property in which the equity is less than \$3000, but calculates at the rate of 6% if the equity is between \$3001 and \$4000, at 7% if the equity is between \$4001 and \$5000, and so on. Ontario takes 4% of the assessed value, whether encumbered or not. Nova Scotia and Newfoundland take a flat amount of \$60 a year for a single pensioner, and \$120 for a married couple as "fairly

equivalent to the amount that the pensioner might reasonably be expected to pay for rent", and charge these amounts as income. Saskatchewan uses a graded scale, as follows:

		<i>Single</i>	<i>Married</i>
Equity in property less than	\$1000	\$ 60	\$ 90
	\$1000—\$2000	90	120
	\$2000—\$3000	120	180
	\$3000 or more	180	240

Here again, it is clear that the different ways in which provincial authorities apply the same federal regulation may significantly affect the actual amount of pension paid in an individual case. It will be seen, therefore, that while the federal Act and regulations appear to prescribe fairly rigid and uniform procedures for the calculation of income and the application of the means test, there is a significant amount of leeway given to the provinces in the actual methods by which they apply these procedures to individual cases. It has been felt by the federal authorities that a certain amount of flexibility of this kind is not only desirable, but necessary, because of regional differences in economic conditions, in outlook, and in the nature of the administrative problems in different parts of the country.

BOARDING OR ROOMING HOUSE OPERATIONS

Other examples could, of course, be given to show the variations in practice as between the provinces with respect to the actual procedure of calculating income and assets of applicants for pension under the Old Age Pensions Act. There is, for example, great variation with respect to the calculation of income derived from board and lodging paid to a pensioner who may be renting rooms or providing board and lodging as the operator of a boarding house. When adult sons and daughters live with their aged parents and contribute from their wages to the costs of food and household maintenance, different provinces calculate in different ways the effect of these factors on the allowable income of a pensioner, and consequently on the amount of pension to which he may be entitled. Consequently, it is not surprising that there is a degree of variation in the average actual amount of pension paid in the various provinces.

The figures given in the attached chart (E) show the average amount of pension actually paid in each of the provinces at various periods since 1945.

AVERAGE PENSIONS PAID

The notable feature of these figures is not that there are minor differences in the average pension paid in the various provinces, but that they are all so very closely grouped together, and all so close to the maximum pension payable under the Act. Apart from Newfoundland where the average pension paid of \$29.19 (December 31, 1949) was very close to the \$30 maximum payable on that date in that province, the range for all other provinces and territories extends from a low of \$34.46 in Prince Edward Island to a high of \$39.68 in the Northwest Territories. For the more populous provinces with large pension case loads, the range is even narrower,—from \$35.33 in Nova Scotia to \$38.36 in Manitoba. The net effect of all the income calculations prescribed by the federal Act and regulations, and by provincially determined procedures within these limits is, therefore, on the average relatively slight, although, of course, in individual instances the actual amount of pension received may be affected quite substantially.

CHART "E"

AVERAGE MONTHLY PENSION PAID BY PROVINCES 1945-1949

	March 31, 1945 Maximum Pension \$25.00	March 31, 1946 Maximum Pension \$25.00	March 31, 1947 Maximum Pension \$25.00	March 31, 1948 Maximum Pension \$30.00	March 31, 1949 Maximum Pension \$30.00	December 31, 1949 Maximum Pension \$40.00
Alberta.....	\$24.16	\$24.12	\$24.11	\$29.69	\$29.49	\$37.87
British Columbia.....	24.41	24.34	24.22	29.54	29.19	37.26
Manitoba.....	24.48	24.54	24.53	29.71	29.61	38.36
New Brunswick.....	22.13	22.40	22.68	29.37	29.12	36.01
Nova Scotia.....	22.50	22.62	22.76	29.19	28.96	35.33
Ontario.....	24.13	24.48	24.52	29.71	29.50	38.05
Prince Edward Island.....	18.63	18.99	19.36	24.82	26.36	34.46
Quebec.....	23.95	23.91	24.01	29.08	28.94	37.63
Saskatchewan.....	24.68	24.55	24.37	29.60	29.19	37.29
Northwest Territories.....	24.17	24.33	24.69	29.21	28.75	39.68
Yukon Territory.....						37.09
Newfoundland.....						29.19
CANADA.....						37.19*

* Maximum Pension \$30.

A recent check of the case loads of all provinces (September, 1949) revealed that 73 per cent of all old age pensioners on the rolls at that time were currently in receipt of the maximum pension payable under the Act. Adjustments resulting from the 1949 amendments which raised the maximum pension from \$30 to \$40 monthly had not at that date been completed in all the provinces. The figures with respect to individual provinces are as follows:

PERCENTAGE OF OLD AGE PENSIONERS RECEIVING
MAXIMUM PENSION PAYABLE

(By Provinces, September 1949)

Province	Total Pensioners	Receiving Maximum	Per cent
Alberta.....	15,777	12,189	77.3
British Columbia.....	27,085	20,458	75.5
Manitoba.....	16,139	12,918	80.0
New Brunswick.....	15,935	7,438	46.7
Newfoundland (\$30 max.).....	4,559	4,215	92.4
Nova Scotia.....	19,287	6,590	34.2*
Ontario.....	80,731	65,304	80.9
Prince Edward Island.....	2,853	1,085	38.0
Quebec.....	66,674	52,876	79.3
Saskatchewan.....	16,230	11,384	70.1
Northwest Territories.....	19	19	100.0
Yukon Territory.....	83	75	90.4
	265,372	194,551	

*Nova Scotia figures for March, 1950 show 9,168 (46.5%) on full pension and 10,543 (53.5%) on partial pension.

The percentages shown above have no doubt been altered to some degree in the light of the complete adjustments which have been made by all provinces in the months since September, 1949. But it may be doubted whether a similar table showing the relative percentage of maximum pensions paid in each province as of a more recent month would significantly alter the picture. The relatively low percentage of pensioners receiving the full pension in the provinces of Nova Scotia, New Brunswick and Prince Edward Island is particularly to be noted. This can hardly be explained by suggesting that aged persons in these provinces are likely to have more outside income, apart from pension, than in the other provinces of Canada. The reverse of this, in fact, is likely to be true,

since it is generally accepted that the maritime provinces are less favourably situated, economically, than most other provinces. What then is the explanation? It seems difficult to escape the conclusion that the reason for the smaller proportion of full pensioners in these provinces is attributable to the differences in the manner in which pension authorities in these provinces apply the general means-testing procedures laid down in the federal Act and regulations.

RECOVERIES FROM ESTATES

The provisions of the federal Act and of the agreements with the provinces respecting recoveries from the estates of deceased pensioners are also of particular interest. The Act provides for the inclusion in each agreement with the provinces of an undertaking that the province will authorize its pension authority to recover, in certain circumstances, pension payments from the estates of deceased pensioners. The provinces usually carry out this undertaking by inserting a provision in their own provincial Acts or regulations, giving the necessary powers in this connection to their pension authorities. The federal Act stipulates, however, that in certain circumstances claims against the estates of deceased pensioners are to be waived:

- (a) if the estate passes by will or on an intestacy to another pensioner;
- (b) if the estate passes by will or on an intestacy to any person who has, since the grant of pension to the deceased or for the last three years during which such pension has continued to be paid, regularly contributed to the support of the pensioner by the payment of money or otherwise to an extent which, having regard to the means of the person so having contributed, is considered by the pension authority to be reasonable. (Old Age Pensions Act, Section 9 (2)).

These are important provisions, the full significance of which has not generally been understood. If a man and his wife are both on pension, no claim is permitted against the estate of either one until the death of both, and then the claim is limited to the pension payments made in respect to the spouse who is the last to die. If a man is on pension, with a younger wife who is not on pension or children or other persons who have taken care of him or contributed to his support to a reasonable extent and for a reasonable period of time prior to his death, the estate of the pensioner is likewise exempt from any claim of any kind under the federal law and the agreements with the provinces. The full discretion as to the determination of the meaning of "reasonable support" is left with the provincial pension authority, except that the federal law clearly specifies that the support given may be "by the payment of money or otherwise". In other words, a wife or daughter who has kept house for an aged pensioner can be considered to have "contributed" to his support just as if contribution in money had been paid.

In addition to the provisions for the waiving of claims set forth in the federal law itself, the agreements with the provinces incorporate a further provision of interest. Each agreement, at the instance of the federal authority, authorizes the province to give discretion to its pension authority to waive claims against all estates under \$2000 in value, and further than that, against the first \$2000 of any estate which exceeds \$2000 in value.

It is not surprising, in the light of these provisions, that despite wide-spread fears and misconceptions on the part of pensioners generally as to the probability of claims being made against their estates, the number of claims actually lodged, and the amounts recovered from the estates of deceased pensioners are very small. The attached table (Chart "F") shows the actual experience in this regard in the various provinces for the years 1941 to 1949. Taken in relation to the total of pensions paid in each of these years, the percentage of recovery is negligible indeed.

CHART "F"

STATEMENT SHOWING THE AMOUNTS RECOVERED FROM ESTATES OF DECEASED OLD AGE PENSIONERS AND THE DOMINION GOVERNMENT'S SHARE THEREOF FOR EACH FISCAL YEAR FROM THE 1ST APRIL, 1941

RECOVERIES SEGREGATED BY PROVINCES

Year	Explanation	Alberta	British Columbia	Manitoba	New Brunswick	Nova Scotia	Ontario	Prince Edward Island	Quebec	Saskatchewan	Yearly Totals
1941-42	Total.....	\$19,963.13	\$63,191.25	\$66,146.33	\$1,022.01	\$ 6,451.42	\$179,804.45	\$ 649.75	\$44,490.91	\$21,010.32	\$402,780.94
	Dominion's share.....	14,972.35	45,879.57	48,233.19	766.51	4,838.56	132,703.11	487.31	33,368.18	15,748.43	297,040.73
1942-43	Total.....	35,552.67	73,046.93	63,904.14	160.00	11,822.78	225,180.69	3,936.05	45,720.78	29,628.51	488,792.55
	Dominion's share.....	26,664.58	52,923.07	46,760.82	120.00	8,867.09	167,054.36	2,952.04	34,290.59	22,200.50	361,713.05
1943-44	Total.....	44,632.16	72,534.61	109,618.46	.....	5,145.98	232,213.64	2,268.67	39,620.62	93,466.03	599,500.44
	Dominion's share.....	33,474.12	53,217.89	80,091.90	.....	3,859.48	172,963.22	1,701.50	29,715.46	70,099.73	445,123.30
1944-45	Total.....	47,135.13	85,940.95	113,292.60	.....	13,199.03	265,224.44	2,227.43	36,932.90	41,433.62	605,386.10
	Dominion's share.....	35,351.35	63,653.01	83,641.87	.....	9,899.27	137,907.01	1,670.57	27,699.67	31,075.06	450,897.81
1945-46	Total.....	36,648.46	54,877.15	77,885.64	.....	9,196.02	165,941.56	2,554.64	39,875.91	33,532.67	420,512.05
	Dominion's share.....	27,486.34	40,473.59	57,273.46	.....	6,897.01	123,842.41	1,915.98	29,906.93	25,149.50	312,945.22
1946-47	Total.....	32,330.76	76,635.91	101,507.82	1,117.40	4,384.95	179,830.74	2,855.27	56,066.60	38,897.67	493,727.12
	Dominion's share.....	24,248.07	56,674.61	75,634.97	838.05	3,288.71	134,271.80	2,141.45	42,049.95	29,022.47	368,170.08
1947-48	Total.....	20,493.15	93,009.60	55,496.42	.....	10,856.67	153,465.75	1,726.09	61,298.43	40,298.20	436,614.31
	Dominion's share.....	15,369.86	68,828.28	40,795.94	.....	8,142.50	114,907.46	1,294.57	45,951.32	30,209.38	325,499.31
1948-49	Total.....	31,950.45	77,657.91	61,416.03	165.57	4,389.61	164,609.01	1,163.28	41,186.40	45,634.30	428,172.56
	Dominion's share.....	23,962.84	57,418.69	45,847.11	124.18	3,292.21	123,235.98	872.46	30,889.80	34,189.05	319,832.32

RECOVERIES FROM ESTATES OF DECEASED PENSIONERS IN RELATION TO TOTAL PENSION PAYMENTS 1941-9

(All Provinces)

Year	Total Pension Payments	Recoveries from Estates	Percentage
1941-42	\$38,041,210	\$402,781	1.06%
1942-43	38,481,581	488,793	1.27%
1943-44	42,927,456	599,500	1.39%
1944-45	52,670,703	605,386	1.15%
1945-46	55,054,969	420,512	.76%
1946-47	58,439,440	493,727	.84%
1947-48	75,971,186	436,614	.57%
1948-49	85,642,948	428,173	.50%

Even with respect to recoveries from estates, the procedures followed by the provinces differ in some respects. Not all of the provinces have taken full advantage of the opportunity to waive claims against estates under \$2,000 in value, or against the first \$2,000 of estates of higher value. Some provinces are more selective in their exercise of their discretionary powers in this regard than others. If a prospective beneficiary is a distant relative who lives outside of Canada and has not supported or shown much interest in the deceased pensioner, the pension authority may be less inclined to waive a claim than in other circumstances. In all such cases the decision is made solely by the provincial pension authority itself. If, of course, in any such cases the pension authority decides to proceed with its claim, it is under obligation to refund to the federal treasury a pro rata share of any moneys collected.

With the exception of British Columbia, no figures are available from provincial annual reports as to the number of claims lodged by the various provincial pension authorities. The British Columbia figures show that for a three-year period, 1946 to 1949, there were 5,093 deaths of pensioners and that in 347 cases claims were made. In the same period 149 claims were waived or withdrawn in favour of other beneficiaries. If the figures for British Columbia may be taken as representative (and there is nothing in the figures relating to amounts collected to suggest the contrary), the indications are that claims are collected from the estates of deceased pensioners in fewer than 5 per cent of all cases.

LIENS AGAINST ESTATES

As another example of the variation in procedures among the provinces in connection with estates, it should be noted that five of the provinces (Quebec, Ontario, Manitoba, Saskatchewan, Prince Edward Island) contain in their Old Age Pensions Acts a provision requiring liens to be filed against the property of pensioners, so as to ensure that property is not disposed of by the pensioner while he is on pension without the knowledge or consent of the provincial pension authority. On the other hand, the legislation of the provinces of Nova Scotia, New Brunswick, Alberta and British Columbia contains no such requirement, nor do the federal Act and regulations or the agreements with the provinces impose such a requirement on the provincial authorities.

BASE YEAR FOR INCOME CALCULATIONS:

Another variation of interest and considerable significance in the administration of pensions by the provinces has to do with the so-called "pension year". The federal Act, of course, provides that in determining an individual's eligibility for pension and the amount of pension to be paid, account must be taken of the "outside income" of a pensioner. Such outside income, together with any pension paid, must not exceed \$600 a year in the case of a single person, or \$1,080 a year in the case of a married couple. In the application of these provisions the pension authority must determine the base year that is to be used. In some provinces, annual calculations of income are based on the so-called "pension

year"—that is to say, if a pensioner receives his first pension cheque for the month of April, the yearly base on which his annual income is subsequently calculated is the period from April (the month when he received his first pension cheque) to March of the following year. Under this arrangement, different pensioners in the same province will have different "pension years". Some who first came on pension in January will have as their "pension year" the 12-month period January to December. Others who came on pension in February will have as their "pension year" the 12-month period February to January of the following year: and so on.

In contrast to this procedure, certain other provinces adopt the "calendar year" as the base year for the annual calculation of income in all cases. In a province using the "calendar year" as the base year, all pensioners, regardless of the month in which they first come on pension, are granted a pension initially that is based on an income calculation covering the remaining months of the year; and subsequently, beginning with the month of January following their admission to pension, their annual income and consequently their eligibility for full or partial pension is determined on the basis of income received during the "calendar year".

These two procedures have, of course, somewhat different results in individual cases, although the over-all result is much the same as long as an individual province adheres consistently to the base year it has selected, and does not switch back and forth from "pension year" to "calendar year" or vice versa in its calculations of income and eligibility.

A further complication is added, however, by the procedure followed in certain provinces operating on the basis of the "pension year". In certain of these provinces the "pension year" for an individual who comes on pension for the first time in, say, April, remains constant and is never changed, even if the pensioner finds employment for a few months and temporarily goes off pension. Income earned while off pension is taken into full account as part of the annual income during the 12 months of the "pension year", from April to March of the following year.

Other provinces, however, establish in such cases a new pension year beginning with the month in which the pensioner, having lost his temporary employment, returns to the pension rolls. This procedure is obviously much more generous, in that its effect is to ignore largely, if not entirely, earnings of a pensioner during those months when he has found temporary employment and is not actually on pension.

Efforts have been made, and are being made currently by the federal authorities to obtain agreement among the various provincial pension authorities on the adoption of a uniform "base year" for the calculation of income in all cases: but these efforts have not yet been completely successful and will probably have to await further consideration at the next meeting of the Interprovincial Old Age Pensions Board.

Income from Personal Property

A final word of explanation should perhaps be added with respect to the provision in the federal regulations (11(b)) which requires provincial pension authorities to calculate the value of the accumulated personal (not real) property of a pensioner on the basis of the Canadian government annuity tables. It should be stressed that this calculation does not apply to current income actually received by a pensioner, nor to real property held by the pensioner. Current income is assessed at its actual value, as determined by the provincial pension authority: real property is assessed on the basis already set forth in the earlier part of this memorandum. The accumulated cash and liquid assets of the pensioner, however, are assessed for income purposes on the basis of the amount of

continuing income which the pensioner could receive for the remainder of his life if he were to convert his liquid assets into a dominion government annuity based on age 70.

The dominion government annuity tables show that for \$1,000 deposited with the Annuities Branch a male aged 70 is guaranteed an annual income of \$102.35 as long as he lives. In the case of a female aged 70, because of her longer life expectancy, \$1,000 will purchase from the Annuities Branch only \$87.26 a year for life.

Example I

A male pensioner, aged 70 or over, who applies and shows that he has \$1,000 in cash, bonds or other liquid assets at the time of application, is dealt with in the following way. The first \$250 of his liquid assets is ignored completely: a calculation is made with respect to the remaining \$750, showing that this would purchase a dominion government annuity of 75% of \$102.35, or \$76.76. In determining the amount of pension for which such an applicant is eligible the provincial authority deducts this amount of \$76.76 from the total allowable income under the Old Age Pensions Act (\$600 single). Since the result of this calculation (\$523.24) is in excess of the maximum pension payable under the Act (\$480 annually), the pensioner in this case is entitled to full pension.

Example II

A female pensioner, aged 70 or over, with personal property amounting to \$2,250. The first \$250 of this is ignored: the annuity value (female) of the remaining \$2,000 at age 70 is \$174.52. Deduct this from total allowable annual income of \$600; the result, \$425.48 is the amount of annual pension. This is \$54.52 a year less than the pension payable to a female applicant in similar circumstances, but not possessed of \$2,250 in liquid assets.

It should be noted that a male pensioner with personal property amounting to \$2,250 would not be treated quite so generously. The annuity value of the \$2,000 in his case would be \$204.70 and pension receivable would be \$395.30, a reduction of \$84.70 from the maximum pension of \$480 annually otherwise payable.

Example III

Man and wife (one or both 70 or over) with personal property amounting to \$7,500. Deduct \$250 each for man and wife. Divide the balance of \$7,000 into two parts—\$3,500 for the man, \$3,500 for the wife. The annuity value of the man's 3,500 is \$358.23. The annuity value for the wife's \$3,500 is \$305.41. Add these together—\$358.23+\$305.41=\$663.64. Deduct this from the maximum annual allowable income for a man and wife (\$1,080). Result: Eligibility for a partial pension of \$416.36 annually for one of the spouses (if only one is 70 or over) or \$208.18 each for each spouse (if both are 70 or over and applicants for pensions).

CONCLUSION

It has not been possible in the memorandum to examine in detail all the administrative problems which arise in connection with the administration of old age pensions under joint dominion-provincial auspices. Many of the methods and procedures, as set out in the federal Act and regulations, are so simple and clear as to be largely self-explanatory.

This memorandum, therefore, has sought to supplement the information which is readily available through a reading of the legislation itself, the regulations and the annual reports presented to parliament by the federal old age pensions authority. It has attempted to deal with those features of the joint administrative arrangements which cannot, perhaps, be clearly understood from a reading of printed material that is readily available in legislative, regulation or report form.

This explains why the memorandum has concentrated its attention chiefly on the varying administrative procedures on the part of provincial pension authorities and on those aspects of the administration which centre chiefly around the questions of income calculation and collections from estates.

The means test is, after all, the central and basic feature of the old age pensions program as it presently operates: consequently, it has been considered that this memorandum would serve its purpose best if it attempted to indicate as clearly as possible the various ways in which the means test principles embodied in the federal Act and regulations are actually applied in day to day administration by the provinces.

Other administrative problems exist, of course, in connection with the establishment of eligibility of applicants on other counts, e.g., residence and proof of age. The provisions of the Act and regulations with respect to these procedures are, however, fairly clear and straightforward (see Old Age Pensions Act, section 8, and regulations 6, 8 and 9). As shown by Chart "G" attached) the number of cases rejected on grounds of lack of proof of residence or age is relatively small in relation to the total: and for this reason it may perhaps be sufficient to note for the committee's attention the fact that individual problem cases arise from time to time with respect to these two points of eligibility, and to deal, in subsequent discussions in the Committee itself, with any special points which may be of interest to individual members of the committee.

CHART "G"

APPLICATIONS DECLINED DURING FISCAL YEAR 1948-49

Applicant was or had—	Alta.	B.C.	Man.	N.B.	N.S.	Ont.	P.E.I.	Que.	Sask.	Total
1. Not 70.....	69	74	112	75	113	207	37	233	163	1,083
2. Unable to prove age....	12	49	8	3	2	28	3	35	25	165
3. Too much income.....	75	103	42	182	191	332	27	290	251	1,493
4. Not sufficient residence.	9	12	4	4	10	38	2	14	12	105
5. Unable to prove residence.....		12	1	2	2	2		6	3	28
6. Transferred property....	24	14	33	2	6	33	18	55	94	279
7. War Veterans Allowance	5	1		11	6	41	2	8	13	87
8. Pension for blind.....										
9. An Indian.....				1	2	1	1	5		10
10. Refused information....	34	8	5	6	3	28	1	60	24	169
11. Assistance private source.....				4	3	55	3		9	74
12. In mental hospital.....		7				3		1	7	18
13. Entitled to support.....			1		7	1	1			10
Total.....									3,521	
Pensions granted during fiscal year 1948-49.....									46,750	
Total applications dealt with.....									50,271	
Percentage of rejections.....									7%	

The WITNESS: Mr. Chairman, and members of the committee, may I draw your attention to the fact that a number of other documents have been placed before you. They will serve, I hope, to supplement the material contained in the memorandum entitled "Canada's Old Age Pensions Program". Each member of the committee has before him an office consolidation containing the Old Age Pensions Act, as it presently stands, with all amendments made to it. At the back of that same document you will find an up to date copy of the old age pension regulations. Along with that, the members will find a report of the administration of old age pensions for the year ending March 31, 1949.

I draw these documents to the attention of members of the committee because of the fact they will form a useful supplement to the material contained

in the mimeographed document. I only regret that it is not possible for us to give the members of the committee a full statement of the most recent fiscal year, which ended only on March 31st. but members will understand that because of timing of the meetings of this committee it has not been possible to get the material in from the provinces, with respect to either financial or statistical items.

Mr. HOMUTH: There is not much variation from year to year, is there?

The WITNESS: Well, only this year because of the amendment which was made to the Act.

Mr. HOMUTH: Apart from that?

The WITNESS: Nothing, that is except the significant growth of the numbers and costs involved.

Mr. BROWN: Before we go further, and I do not want to be too disagreeable, is it not the practice to reserve questions until the termination of the witness presentation, rather than to have him interrupted during the course of his presentation?

Mr. HOMUTH: Oh, well—

The CHAIRMAN: Just a minute, please. I believe it is the intention that, since the statement is not going to be read, the main features will be commented on by Dr. Davidson. When he is finished commenting on one feature there will be questions.

Mr. BROWN: Yes, otherwise we will never finish.

The WITNESS: I might add that, if it is the wish of the committee, at a later date we will supply statistical information for the year 1949-50, corresponding to the material given for the previous years in this mimeographed document. We will be glad to undertake that task.

May I just say a further brief word with respect to what the document does or does not attempt to do.

Firstly, it is obviously not an attempt to survey all provisions for old age security in Canada at the present time. It does not take into account all of the provisions for old age security, public or private, which may exist outside the confines of the Old Age Pensions Act.

Secondly, it attempts to avoid unnecessary duplication of information that is contained in the annual report and in the summary of the Old Age Pensions Act and regulations.

Thirdly, it endeavours to avoid dealing with some of the more obvious points of detail and provisions of the Act and regulations which do not require very elaborate explanation.

I am making this explanation because I wish to make it clear to members of the committee that this was not conceived to be a completely comprehensive or all inclusive document in which you could find every last detail on old age pensions and their administration in Canada. An attempt has been made to pick out the significant problems, the kind of problems which are not altogether self-explanatory from a reading of the Act or regulations, and to discuss those particular features of the Act and its administration. If some emphasis has been placed upon dominion or provincial administration, it is for the purpose of endeavouring to place before the committee precise and objective information as to the relative functions and the roles of the provincial and dominion administrations in the application of this law. I hope the committee will accept my assurance that in the formulation of this memoranda we have endeavoured to be as objective and impartial as has been possible. I realize that may be considered difficult—when a federal official is presenting a critique on a joint administrative operation such as this. However, I can assure the members of

the committee that I have had some experience as a provincial civil servant and I know some of the provincial attitudes towards these joint efforts. I think this document would present itself to our provincial colleagues as being an objective appraisal of the facts as they do exist.

The latest estimate of the number of aged persons over seventy in Canada is somewhere in the neighbourhood of 650,000.

Mr. CROLL: 650,000 over seventy?

The WITNESS: 650,000 over seventy at the present time—persons who might conceivably come within the purview of old age pensions legislation as it now stands.

When it is recognized that approximately 285,000 of those persons are presently in receipt of benefits under the present Old Age Pensions Act, it can be seen, from that very simple statement, that our present legislation does have a significant effect on the provision of some form of security for the total aged members of our population. There is probably no single piece of legislation which so directly affects in one way or another the well-being of our aged people in Canada as does this particular piece of legislation.

Through this Act, and through our provincial governments, we are in touch with this important segment of our aged population over seventy—totalling somewhere between 40 per cent and 45 per cent of our aged population. We have, through statistical information gathered over the years, a reasonable amount of information as to the position of this particular section of our aged population. Unfortunately we have not anything like as accurate and complete a picture with respect to the other segment of the aged population, namely the 55 per cent which does not come within the provisions of the Old Age Pensions Act.

Beyond that, I should point out to the committee that even such information as we have with respect to the 45 per cent on pension is, to a large extent as far as the federal authority is concerned, second hand information. It must be remembered that the federal authority does not come into direct contact with individuals who apply for and receive old age pensions. We must rely on provincial administrations for the information that we get with respect to persons applying. That, to me, does seem to justify the emphasis that has been placed in this memorandum on the nature of the dominion-provincial relationship in regard to old age pensions administration.

With that preliminary comment, I suggest it might now be useful to turn to the text of the document itself. I do not propose to ask the committee to delay very long with the first part, which traces the historical development of old age pensions from the earliest years when it first came under discussion to the action which was eventually taken in 1927 when the first old age pensions law in Canada was put into effect.

It might be well to pause at the top of page 2 of the mimeographed document and to note the original recommendations of the special committee which was reporting to parliament on July 1st, 1924. You see there the four recommendations which were made—the original basis for old age pension legislation. You will see four proposals, in respect of which it is interesting to note that only one has been left completely unchanged since the original legislation was recommended to parliament. The age limit of seventy years, as set forth in recommendation number 1 is still in effect except for inclusion of the blind at an earlier age.

The second provision is that applicants must be British subjects of at least twenty years residence in Canada, or naturalized subjects of at least fifteen years naturalization and twenty-five years residence. That has been substantially changed: only the basic requirement of twenty years residence in Canada, with certain modifications, has been retained.

The third provision is that the maximum rate of pension shall be \$20 per month subject to the taking into account of private income or ability to earn. That has also been altered, the maximum pension now being \$40 a month.

The final recommendation was to the effect that costs be shared fifty-fifty by the federal and provincial governments. That was changed in 1931 when an amendment was introduced to provide that the federal government should pay 75 per cent and that the provincial governments' share should be reduced to 25 per cent.

Following on from that point the document before the committee lists the various steps that were taken under the Act to get this legislation into effect, and then in the order of their entry into the scheme the various provinces are listed.

Mr. LAING: May I ask whether the adjectives "deserving indigent" were used in the original recommendations?

The WITNESS: Those are the words of the recommendation.

Mr. LAING: Deserving indigent?

The WITNESS: Yes. Those are the words taken from the original committee report.

Mr. KNOWLES: That language was not necessarily used in the Act.

The WITNESS: No, sir. I could have included the actual resolution which the Minister of Labour introduced in March 1926, but it was two pages long and I thought it better not to load the document with material which was available elsewhere.

By Mr. Croll:

Q. What we commonly refer to as the means test arose out of the third recommendation, did it not?—A. Yes, and the words in the first recommendation to which Mr. Laing has drawn attention.

Q. Between those two. I see.—A. If that is clear, might I go on to the main features, pausing only to note that it took a substantial revision of the burden of financial cost to the provinces during the depth of the depression to complete the picture and to bring all the provinces into the scheme.

Up to 1929 five provinces, plus the Northwest Territories, had initiated their provincial schemes. But the other provinces, because of the depression and because of their financial difficulties, were finding it difficult to enter the scheme. So it was that in 1931 amending legislation was introduced which lightened the load on the provinces and resulted in all four of the other provinces coming into the scheme. But it was not until April 1st, 1949 with the entry of the Yukon Territory and the new province of Newfoundland, that we could say that old age pensions were being paid in every part of Canada.

Might I go on, if there are no further questions on that introductory part, to the section marked Main Features of the Present Plan. Here I would suggest we could deal with the question in two phases. First of all, at the bottom of page 3, the point is made that:

.....in its broad outlines, it still adheres to the general pattern and principles of the 1927 law.

The point is made that, in its broad outlines, the scheme today remains unchanged from the scheme which was originally put into effect, and which is still, basically, a means test programme. It is still provided that pensions shall be paid only to persons of 70 years of age and over, apart from the blind; and the plan still adheres to the residence provision of 20 years in accordance with the regulations.

The principle of joint dominion-provincial administration is adhered to in exactly the same way that it was back in 1927; in none of these basic features has the scheme been altered from its original formulation back in 1927.

The only role of the federal authority in 1927, and the only role of the federal authority today, is one of supervision and examination of provincial actions taken with respect to pensions for the purpose of determining whether the actions taken justify the federal government in reimbursing the provinces for 75 per cent of the amount of pension paid.

The administration therefore basically rests on the provinces, and the federal role is one of supervision to determine whether the Act and regulations have been transcended, and whether it is in order for the federal authority to reimburse the provinces for the federal share of the pensions.

If further evidence of the dominant role of the provinces in the actual administration of old age pensions is needed that evidence will shortly be provided to members of the House in an answer to a question which Mr. Knowles has put on the order paper respecting administrative costs of the provincial administrations and the cost of the federal administration. There has been some delay in getting that information because we have had to secure it from the provinces themselves. But when that information is before you, it will be clear to the members of the committee that the bulk of administrative costs, which means dealing with the administration itself, rests on the provincial level, and the federal administrative costs as well as the nature of the federal responsibility are limited to supervision of the provincial administrative operations for the purpose of determining this question of reimbursement.

By Mr. MacInnis:

Q. May I ask if the federal government had any occasion to point out to any of the provinces that they were going beyond the scope of the Act in the administration of the Old Age Pensions Act?—A. In individual instances, Mr. MacInnis, we may have found—for example, upon examination of an individual case—that a province has not applied the regulations correctly and we may have had to reject a portion of its claim. But it is on an individual basis rather than on an overall basis that we are most likely to have comments to make on the nature of the provinces' administrative job. I cannot recall any situation where we have had to make an overall criticism of the provinces with respect to any aspect of administration as a matter of policy, going beyond the provisions of the Old Age Pensions Act.

MR. BROWN: Are provincial regulations set up after conferences between federal and provincial authorities?

THE CHAIRMAN: We are coming to it a little further on, Mr. Brown.

THE WITNESS: Mr. MacFarlane, who has had a good many years of experience in this matter, confirms my impression that there has not been any occasion when we have had to take issue with a province on a question of administrative policy, as against matters which may arise in respect to individual cases.

By Mr. Fleming:

Q. In respect to the point raised by Mr. MacInnis, might I ask in what proportion of the cases does the dominion find it necessary to reject the award made by the provincial administrations? Would it be an infinitesimally small portion, let us say a mere fraction of 1 per cent?

MR. MACFARLANE: I would say yes.

By Mr. Knowles:

Q. Did you not say there were between 3,000 and 4,000 rejections made in 1948 and 1949?—A. The total for the year 1948-49 is shown in chart G-3521. Not one of those rejections was made by the federal authority after the provinces had awarded a pension. Those rejections were made in all cases by the provinces themselves.

Q. You do not examine each individual case with the provinces?—A. Oh, yes, we do. The point which Mr. Fleming makes could perhaps be clarified if we could produce for the committee a statement, going over the past years, showing how much we have refused to reimburse the provinces after they have made payment. I can assure you that the number is very small and that they are few and far between; we would have to go through our accounts very very carefully to find any of any significance at all.

In my experience of the last five years in the department, I can recall only one specific example where we had to reject a provincial account amounting to \$7,000, I think. There is another situation which is up right now, involving another small amount of money. But basically it may be said to the members of the committee that one major concern of the provinces is to assure themselves that any pension which they provide to a pensioner is certain of federal reimbursement. They are very careful about that because, after all, if they do not get federal reimbursement, it costs them four times as much as it should cost them.

By Mr. Fleming:

Q. Is not one result, or corollary, the fact that some of the provincial administrations fear that they may not be reimbursed, and that it has tended to make them rigid in their application of the regulations?—A. That is certainly something which one would expect.

By Mr. Croll:

Q. And it appears in your submission.—A. And, by inference, I think if you look at it from the point of view of the provincial administration and from the fact that relatively few accounts are rejected by the federal authority, it is fair to infer from that that the situation is as you put it.

By Mr. MacInnis:

Q. Where the provincial authority is charged with responsibility of administering the Act, it has got to be rigid because, if it is not rigid, where is the line to be drawn? Where are you going to draw the line? I have found the administrator of the Act, or the chairman of the board, in Vancouver, British Columbia, to be a very very reasonable and fine man. But I am convinced that he has to adhere to the Act, and I would certainly never ask him to depart from it.

Mr. FERRIE: Oh, but you have to temper justice with mercy, and that is what you have not done.

By Mr. Knowles:

Q. I brought in two cases of old age pensioners not getting their birth certificates back in a reasonable period of time, let us say eighteen months to two years. And upon inquiry, one always gets the same answer: that the certificate is being held until your auditor gets there to check the application.—A. That is right.

Q. I wonder if Dr. Davidson can tell us what the time lag is now?—A. I am afraid I must say to you that the time lag is certainly not any better than it was before, and that it is likely to be less favourable for the reason that the changes which have been made in the Old Age Pensions legislation during the last two or

three years have thrown such an additional burden on the provinces and ourselves, because of the numbers of cases involved, that we have found great difficulty—both the provinces and ourselves—in keeping abreast of the situation. I think the members will know that this is so from the very fact that in some provinces there was a delay of several months in fully implementing recent changes in the Act.

We have a total staff of 13 for a load of 300,000 cases to audit; whereas about five years ago we had a staff of 13 with a load of 194,000 cases to audit. So I think we can get a picture of the problem we are facing from an administrative point of view.

We have tried and we are trying to work out arrangements with the provinces which will make it possible, by taking photostats and so on of the birth certificates, to get those documents returned to the old age pensioners within a more reasonable period of time. So I think that through arrangements of that kind we may be able to release most of the documents to the pensioners within a reasonable period of time.

Mr. KNOWLES: The load would be a lot lighter if you had only the proof of age to administer and not the means test.

By Mr. Croll:

Q. Your investigator may reach any province, let us say, a year behind time?—A. Oh, yes.

Q. Yet, a given province may have continued to pay the old age pensioner during that period of time on the assumption that the pension was due.—A. That is right.

Q. Only later to find that it was charged back. How do the provinces feel about that?—A. The provinces, naturally, would wish us to be as prompt as we can in going over the payments after they have made them; and this delay of a year, in some cases, in getting to the provinces is a thing which is distressing both to the provinces and to ourselves.

Q. And is it not distressing to the old age pensioner when the provincial administrative authority just does not take a chance and turns down that old age pensioner, rather than to make a quick decision on a borderline case?—A. I would doubt very much whether there are many cases where the provincial pension authorities delay action because of concern that the federal government may eventually come along a year later and reject the claim. What is more likely to happen is that the provincial authority—if I might go back to Mr. Fleming's question—would follow a procedure of caution to make certain that at no point it should step over the boundary line, or on to the boundary line. There would be a natural inclination for them not to take any chance of later on being checked, and the precaution is likely to be on the side of protecting the administration rather than that of giving the benefit of doubt to the pensioner. I would say that would be a natural and understandable inclination. I do not think it is unfair to say that probably its effect to some extent is to exercise caution and discretion by provinces in certain areas of administration.

Mr. KNOWLES: And you cannot blame the provinces?

The WITNESS: No.

Mr. SHAW: Does it not resolve itself into a question of the federal branch being understaffed?

Mr. KNOWLES: No—too much means test.

Mr. SHAW: The witness has asserted that they have the same staff today as they had five years ago yet their work has more than doubled. I would suggest that the whole thing could be speeded up if they had an adequate staff.

The WITNESS: I did not come before this committee to plead the case for staff, I can assure you.

Mr. SHAW: I think it is quite obvious and I think this committee should take note of that.

The WITNESS: I would point out that one reason for that is uncertainty as to our future staff requirements. We have known that the Pension Act is under study and the House will likely consider this problem and we did not want to proceed to build up staff—and a certain kind of staff, Mr. Shaw—on the assumption that this kind of old age pensions programme we have at the present time is the same as we will have indefinitely in the future.

Mr. FLEMING: There is one question I want to ask Dr. Davidson in regard to this backlog: is he in a position to estimate the length of time that will be required to catch up with the backlog?

The WITNESS: Speaking from memory, I think the statement can be made simply to this effect, Mr. Fleming, that in no province have we failed to complete the audit for year 1948, the calendar year 1948. It is only in respect to the calendar year 1949 that there may be a difference of months. In some cases we are working on the early months, and in other cases on the later months. Beyond that, I think I can assure you that the procedure of the federal authority in examining the provincial accounts has been completed.

Sorry. Mr. MacFarlane tells me that we are farther behind than that in the west, that we have not yet completed 1948 in the west, that is to say, for the four western provinces.

Could I go on then, Mr. Chairman, to resume the point I was making that so far as the basic principles of operation are concerned the Act has remained essentially unchanged as between 1927 and the present time.

I would like to take a moment to explain the nature of the arrangement between the provinces and the dominion, both with respect to legislative changes that might be made from time to time and with respect to changes in the regulations. If you will look at the Old Age Pension Act, section (4), you will find that that section provides for agreements to be negotiated between the provinces and the dominion under which the provinces and the dominion accept certain commitments and administrative responsibilities. Now, that in one respect is a one sided agreement in that the agreement may be terminated by the province through repeal of its provincial statute authorizing Old Age Pensions, while in the case of the federal authority, on the other hand, that agreement cannot be terminated except at the expiration of ten years from the date on which the dominion has informed the province of its intention to terminate the agreement. Since the agreement is the core of the relationship between the federal and provincial governments in old age pensions matters, it does secure to the province a protected period of ten years during which it knows that certain administrative arrangements will be guaranteed to them. Now, the effect of that is that before legislative changes which are made by the federal parliament can be actually put into effect in a given province, the province has to agree to tear up its old agreement and enter into a new agreement along the lines of the amendments to the Old Age Pensions Act.

I point out further that in essence the same thing applies to the provisions regarding federal regulations under that Act. If the members of the committee will look at section 19(2) of the Old Age Pensions Act, they will see a wording which has been in the Act since the beginning to the effect that "No regulation by reference to which any agreement with a province has been made shall be altered except with the consent of such province or in accordance with the provisions of the regulations to which it has agreed."

Now, that provision means in brief that those regulations which are in effect, and to which a province consents at the time it comes into the agreement

with the dominion, cannot be changed by action of the governor-in-council or by action of anyone else except the province itself when it consents to accept certain amendments to the regulations which are subsequently made and applied by them in its own province. When from time to time regulations are worked out, after discussion in the interprovincial old age pensions board, those regulations are sent forward to each province, and each province has to pass an order in council under its own authority approving those regulations for application in that particular province. When all provinces have completed that approval, the governor-in-council then proceeds to proclaim those regulations as regulations effective from that date. It will thus be seen on this point that the provinces, both on the legislative side and on the side of regulations, are protected by these provisions of the Act from any unilateral acts by the federal authority in the legislative or regulations field. In both those cases they must consent to any legislative or regulation changes before those changes are applicable in the province in question.

Now, with that in mind, as machinery for the implementation of this procedure so far as regulations are concerned, the Act has provided from the beginning for the establishment of an interprovincial old age pensions board. The function of this board, I should explain, is limited rather strictly to the discussion of regulations and to changes that might be made in the regulations; and, as set forth in this document, the board consists of two representatives from each of the provinces, two representatives from the Yukon Territory and two representatives from the federal authority. The way in which that board operates, if I may use an analogy, is something like the way in which the Security Council operates; in that council there is what is called the rule of unanimity. The manner in which the Interprovincial Old Age Pensions Act operates is that regulations are discussed, that is, possible changes are discussed, and if agreement can be reached as to the desirability of a change in the regulation, that regulation is set up for change. If you cannot get agreement on the part of the provincial and federal authorities as to the desirability of the change in that regulation, the regulation must remain as it was before, and if you cannot get agreement between certain groups of provinces, as to the desirability of a certain change in the regulation, that regulation again has to be left in statu quo until such time as you can obtain general agreement on a particular change. The principle of unanimous consent and agreement is one that is carried out in the procedures of the Interprovincial Old Age Pensions board and is in effect sanctioned by section 19 (2) of the Act, to which I have drawn the committee's attention.

If that gives the committee enough to go on in terms of the general underlying principles, the underlying relationships between the federal and the provincial authorities which have remained, as I say, unchanged from 1927 to the present time, then I would like to go on to the next part and spend some time on the changes which have been made in what I call points of detail although some of them admittedly are pretty important points of detail.

Mr. FLEMING: There is one question I would like to ask about that matter of unanimity of agreement. When legislative changes are brought about by parliament they are, I suppose, in every case, followed by necessary changes in regulations. That would mean that the necessity of consent of any individual province in effect applies both to the regulations and to the legislative changes made by parliament.

The WITNESS: It is not always the case, Mr. Fleming, that a change made by parliament requires a change in the regulations. An example is the last change that was made increasing the maximum pension from \$30 to \$40. That required no change in the regulations but what it does require is a new agreement with every province, and at that point a province could conceivably say "No, we are

not prepared to enter into a new agreement to pay pensions at the higher amount: we insist on the maintenance of our existing agreement," and in that case the federal government would be bound by section 4 of the Old Age Pensions Act.

Mr. KNOWLES: The provinces had to accept the situation in order to get that additional money.

The WITNESS: That is right.

Mr. ASHBOURNE: I notice we have here the office consolidation 1948 of the Old Age Pensions Act, and in it there are a few changes. I notice the word \$30 is ruled out and made to read \$40. Are there any other amendments? If so, could we have a summary of any other changes?

The WITNESS: These inked-in amendments are the only changes made by the 1949 amendments, so that the copy as you have it with the inked-in amendments is an up to date copy, Mr. Ashbourne.

Could I proceed, Mr. Chairman, to a discussion of some of these more important points of detail where changes have been made.

The document goes on to note, of course, the fact that these changes have had the tendency to broaden categories of eligibility, to increase the federal share of pensions paid and also to correspondingly reduce the share paid by the provinces. Among the examples given are the increases that have been made in the maximum amount of pension payable from \$20 in 1927 to \$40 at the present time. That is the maximum pension payable.

Then, notice has been taken of the 1931 amendment which involved the federal government taking on 75 per cent of the cost and the provincial share being reduced to 25 per cent; and the document notes that the effect of this is that since 1927 the federal share has been increased from \$10 to \$30 a month, whereas the provincial share started at \$10, went down to a lower amount in 1931, and is now back at the \$10 level.

At this point one might take a look at the chart "A" on the following page one column of which reads: "Maximum pension in 1927 dollar values".

This chart does not suggest that the government of its day in 1927 established \$20 a month as the scientific level of adequacy of pension in September of that year; but it does try to show to members of the committee how subsequent pension payments from year to year have compared in their relative adequacy or otherwise with the initial concept by parliament of what was adequate in the way of old age pensions in 1927. And, without dealing too long with this chart, it does show clearly that the only years in which the purchasing power of the pension has been less than the original 1927 level were the three years 1928, 1929 and 1930. For these years the chart shows a slight cost-of-living rise as compared to 1927, with the pension payment, of course, unchanged. When you get into 1930 the cost of living takes a down drop, of course, and the purchasing power of the \$240 pension rises and continues to rise until 1934, when it begins to slip back again; but in all of the years following it remains higher than the 1920 level. Then it reaches a dangerously low point in the latter part of 1943, when it is almost back to the original 1927 level in terms of purchasing power. At that point the old age pension was increased from \$240 to \$300, and you have an adjustment there for the increase of the purchasing power of the new pension, going up substantially; and you have changes showing subsequently all the different changes that have been made in the maximum pension payable and in the maximum income allowed.

By Mr. Fleming:

Q. I presume that this note at the bottom of chart "B" is significant: "Case loads and costs with respect to the blind are excluded from the above." I take it they have been deducted?—A. Yes; that applies to all the tables in this document, except as noted.

Mr. FLEMING: And have you accepted for this table the cost-of-living index figures of the D.B.S. or have you used other cost-of-living figures?—A. I should have stated on the chart Mr. Fleming, that these are Dominion Bureau of Statistics cost-of-living figures, taken from their cost-of-living index based on the years 1935 to 1939 as 100.

Mr. KNOWLES: Mr. Chairman, I think it would be good if Mr. Davidson included the other column as well showing the 1927 dollar value ceiling in relation to old age pensions. It should be noted there that the present ceiling of \$600 in terms of 1927 dollars is only \$443.80. It is lower than it has been at any time since the year 1947, and it is lower than it was at the top of the depression in 1933 when it was \$463.59. I need not dwell on it further at this time, but my point is obvious; that is, the application of the means test.

By the Chairman:

Q. Is any estimate available as to the extra cost incurred for each increase in the maximum income allowable?—A. It is very difficult to answer that question, Mr. Chairman, because you never know how many people are going to be prompted to apply for pension when amendments are made from time to time, either in the amount of pension or the allowable income.

Q. What has been your experience in the past?—A. The last time we made a change in the income ceiling was in 1947. I think we estimated at that time that the combined additional cost to the federal government would be \$20,000,000 as a result of the increase in the amount of pension and also the increase in the income ceiling.

Q. In both?—A. Yes.

Q. And the amount of pension was increased?—A. Yes.

Q. And the ceiling was increased by \$175 for single people?—A. That is right, and I speak subject to correction on this, but my recollection is that our estimate was about half of that increased cost was due to the increase in the amount of pension, while roughly one-half was due to the increased amount of allowable income.

Q. I suppose the higher you go the higher the cost is, the new cost?—A. I think it is fair to assume that the higher you go beyond the present ceiling the more you are getting into brackets where there are likely to be a larger number of people than in some of the lower brackets which are included at the present time.

Mr. FLEMING: This question is prompted by the note at the bottom of chart "B", the one to which I just referred. The fact that the case loads and costs for the blind have been excluded would mean that if they were taken in the amount would be greater?

The WITNESS: I think that is true, yes sir. If there are any other tables where the blind are not included, Mr. Fleming, I will bring them to your attention as I go along. Now, the impression that one might readily gain from the fact that the provincial share of the pension cost was reduced from 50 to 25 per cent in 1931, would be that that would reduce the provincial financial burden; but, as this document points out, that is not the case. Because of the increase in numbers of pensioners during the years and the relaxation of the means test, residence and other requirements there have been added a substantial number to the pension roll, and that has more than made up, so far as the provincial expenditures are concerned, any saving that might have resulted from the earlier 1931 amendments. Now, that is shown by chart "B", which shows for the years beginning with the year in which the scheme became complete for all the nine provinces of Canada a steady increase in cost—a steady increase in the federal share of the payments and an equally steady increase in the provincial share of payments.

By Mr. Croll:

Q. Would you just break that down for us?—A. Do these figures indicate when the increases were made, year by year? When was the first one?—A. In 1943.

Q. Yes, that was an increase of, what?—A. \$5; in 1947 the increase was \$5; and in 1949, which is not on the chart at all because the figures for 1949-50 are not yet complete, it was \$10.

Q. Then that would mean that the final figures on the increases would not be here, but they would reflect the changes made under the last amendment in 1949?—A. I can give you the exact figure, probably in about two weeks' time, or ten days' time.

Q. That figure may be most significant for our purposes.—A. For the purposes of the discussions of the committee I can tell you that we estimate our federal share, including the blind, at about \$94 million or \$95 million. About \$3 million of that would be the federal share of blind pensions; so you could jot down in pencil that the 1949/50 figure would be about \$92 million as the federal share; and, therefore, about \$30 million to \$31 million as the provincial share for this year just closed. This is old age pension, not including the blind group.

Q. Have you other figures on case-load?—A. The December 1949 figure on case load is 277,000 pensioners but we haven't got the March 31, 1950, figure—that would run probably pretty close to 285,000 pensioners.

Q. Close to 285,000?—A. Yes.

By the Chairman:

Q. That \$92 million does not include the increase for the whole year?—A. No.

Q. Did the provinces all put the \$40 increase into effect in the same month, May or June, 1949?—A. All the older provinces except one increased their pensions as from the 1st of May. The other province paid its \$40 pension as from the 1st of June. Then it should be kept in mind that Newfoundland for the last fiscal year had a \$30 pension and beginning from April 1, 1950, has increased that pension to \$40; so that these adjustments will come into the picture in terms of increased costs in the present fiscal year.

By Mr. Benidickson:

Q. Could you estimate what that would be on an annual basis?—A. The amount we are asking parliament to vote this year—not vote because it is a statutory item—the amount we have placed in the estimates is \$103,000,000 for this year.

The CHAIRMAN: Including the blind?

The WITNESS: Yes, including the blind; about \$100,000,000 is for old age pensions and \$3,000,000 is for the blind.

By Mr. Laing:

Q. That also includes provision for the last revision in the ceiling allowed?—A. Yes.

Q. Was that the only revision in the ceiling?—A. No, there was one in 1944.

Mr. FERRIE: So the total cost would be \$130,000,000?

The WITNESS: For this current fiscal year it will cost the federal and provincial governments close to \$140,000,000 for old age and blind.

Mr. KNOWLES: But the revision of the ceiling in 1947 established the same differential which existed prior to the previous increase. Pension was originally \$240 with outside income of \$125; when pension was increased to \$300 outside income allowed dropped to \$65; but this was restored to \$125.

The WITNESS: You are referring to the revision of 1944?

Mr. KNOWLES: Yes, 1944.

The WITNESS: Yes, that is correct. Now it will be seen from chart "B", that there has been a steady upward trend in case load and costs with a consequent effect on both dominion and provincial expenditures; and in the top paragraph on page 6 I have simply stated some of the reasons which have contributed to these changes. The main feature of these figures, which we have already discussed briefly, is that for the fiscal year just ended we expect there will be shown about a twofold increase, and a fourfold increase or more in the cost as compared to 1936-37. But one particularly significant thing which comes up in chart "C" is that while the cost has increased the percentage of pensioners to the total of persons over seventy has remained remarkably constant during the years.

By Mr. Croll:

Q. Have you taken geographical changes into account there?—A. That is for Canada as a whole.

Q. Yes, that is what I mean.—A. As shown on chart "B" Mr. Croll, the number of pensioners in 1948-49 is almost twice as great as in 1937-38: but chart "C" shows that the percentage of pensioners to the total population 70 and over has remained constant; therefore, the increase in the number of pensioners is little more in effect than a direct reflection of the rate at which our people are growing older.

Q. That is right.—A. And that is brought out on chart "C", which shows that in 1938 we had 41.1 per cent of our people seventy years of age or over on pension, whereas in 1949 actually we have a little less, 40.3. You will notice that a decline took place during the war years, which indicates in the main that we are now taking up some of the slack from the war years. If there were any change in the present Old Age Pension Act the trend would be upward and we would very shortly find ourselves as being several percentage points higher in the percentage of aged persons on pension than is shown on this particular chart to date.

By Mr. Fleming:

Q. Do you base your figures on the calendar year?—A. I am glad you asked that question.

Q. I see that 1939 roughly reflects the change in that period. Is that based on your case record?—A. No, the percentages are all based on D.B.S. population estimates as of June 1 in each year, and on case loads as of March 31 each year; so that the 1949 figure is the number of pensioners on pension as of March, 1949, in terms of population seventy and over, that is estimated for June 1 of the same year.

Q. So it is not necessarily an indication of the effect of the 1949 amendments?—A. No.

Q. Would it be very difficult to prepare that information?—A. No, that could be obtained.

Q. I think that is very significant; the effect of the recent changes, particularly the most recent change, will have to be considered.—A. Would it be acceptable, Mr. Chairman, if the information were computed on the basis of March 31, 1950, when the figures are available? My reason for asking that is that we could give you now the December 1949 figure, but that figure will not be strictly comparable to the others in chart C.

The CHAIRMAN: As of March 31st, 1950?

The WITNESS: My reason for asking that is that we can give you the December 1949 figures right now, but on that bases there will be a six-month gap between the population estimates and the case count, and we prefer to keep that consistent with the table that is given here.

Mr. FLEMING: I think, Mr. Chairman, it would be more accurate to do it that way, if it would not take too long.

Mr. LAING: May I draw Dr. Davidson's attention to the fact that in 1944 the figure for British Columbia was 31.7 and for 1946 it is just one point higher. That difference would be due entirely to the means test?

The WITNESS: It would be due, very considerably, to a reduction in wartime employment.

Mr. LAING: That is correct—in other words, the application of the means test.

Mr. CROLL: Well take a look at chart C for a moment. Look at Prince Edward Island, Nova Scotia, and New Brunswick, and you will notice a great rise from 1938 to 1949. Quebec figures are approximately static and so are those for Ontario. Then look at Manitoba, Saskatchewan, and Alberta, forgetting British Columbia for the moment. You notice a decline.

I think that chart is very significant; can you comment on it? My reaction would not have been in line with the figures for those three provinces—as a matter of fact the British Columbia figures are a little lower than I thought they would be.

The WITNESS: I should say to the committee that these percentages will differ from some of the other printed percentages you will find in the Labour Gazette and the provincial annual reports. Therefore, it is important to note the way in which these figures were compiled—as I have already explained to Mr. Fleming. They are the pensions figures at March 31st in each year and the population figures as of June each year. It is a constant and, I think, the most accurate picture given yet. It takes into account the Dominion Bureau of Statistics adjustments of population estimates for the earlier years in the light of the 1941 census and in the light of the 1946 prairie census. It is the most accurate table we can produce and, on Mr. Croll's question, I think there is this to be kept in mind. Some of the provinces had a longer history of old age pensions than others. That is true of the western provinces and of Ontario. Therefore, you would expect there would be more stability in those case loads by this time than in the case of Quebec which came into the pension scheme for the first time in 1936-37. Therefore, you cannot assume that the 44.7 in the first year given here for Quebec represents the full peak of the case load that would have been on pension in Quebec had the scheme been running for ten years. The same is true of New Brunswick. New Brunswick came into the scheme in 1936; Nova Scotia came in in 1934. Therefore, you will find there is more of an increase in the case of provinces which recently came into the scheme—1934-1936—than in the case of provinces such as Ontario which had already by 1938 been in on the scheme for a period of seven or eight years.

Mr. FLEMING: That would be explained because people became more conscious of the availability of pensions and of their own eligibility?

Mr. BENEDICKSON: That might be partially so for increase in Prince Edward Island and New Brunswick, but then you come to Saskatchewan which shows a 10 per cent drop in an eleven year period.

The CHAIRMAN: Better economic conditions.

Mr. BENEDICKSON: Yes, but actually for Saskatchewan on a percentage basis, the figure is 18 per cent; 18 per cent fewer of the group over 70 are getting pensions now than got pensions in 1938.

Mr. FERRIE: Does this take into account pensions paid outside the province—people moving away for instance to British Columbia?

The WITNESS: Those are pensioners on the pay lists of a given province, in relation to the estimated population.

By Mr. Laing:

Q. The suggestion is that some of the reduction in Saskatchewan is because of transfers from that province to other provinces. Have you those records?—A. We get the records from the pay lists.

Q. Have you figures of transfers from one province to another?

Mr. CROLL: That does not affect the figures; it does not make any difference whether some people come to your province from Alberta. Alberta still pays.

The WITNESS: These figures are set up on the basis of the pay list.

By Mr. Knowles:

Q. The province that issues the cheques?—A. Yes. The numbers involved are not significant.

Q. Could we have this clear though. If a pensioner from Manitoba moves to British Columbia, after that person has settled in British Columbia, from whom does he receive his cheque?—A. By arrangement with Manitoba, he receives the cheque from British Columbia.

Q. Which list is he on in these figures?—A. The British Columbia list—or the Manitoba list if that province wishes to continue paying him.

Mr. CROLL: We cannot hear what is going on.

The CHAIRMAN: Order, please, gentlemen.

The WITNESS: The routine procedure where a person changes residence from Manitoba to British Columbia is to have the pension dropped by Manitoba and picked up by British Columbia. However, it might be that Manitoba, for reasons of its own, would prefer to continue paying the pension direct from Manitoba. Not all cases are transferred.

Mr. KNOWLES: What is the general practice? Are most of them transferred?

The WITNESS: More are transferred than not.

By Mr. Fleming:

Q. For the purposes of reading the chart we can say that this is almost a representation of pensioners by residence?—A. That is right.

Q. Has Dr. Davidson anything to add by way of explanation on the very large drop in the case of some provinces. Saskatchewan shows a drop of almost 10 per cent in the total percentage, and Mr. Benidickson points out that it is an actual reduction of 18 per cent in the number of pensioners.—A. The only thing that occurs to me is the same thing that I commented on with regard to the wartime dip and that is that farm revenue over the last few years has held up well and it is reflected here. There is a substantial number of aged persons in the prairie provinces who have property holdings.

Q. Do you keep figures breaking down the reduction in the number of pensioners—whether it is simply a case of pensioners dying off or whether some people who were on pension for some reason cease to be eligible—A. That information is contained only in very scattered form in the provincial government reports. I can make available the reports as we have them but not all the reports give that information.

The CHAIRMAN: The number of those who stop receiving pensions would be very small. We should say that the drop is due to the fact that less people apply initially for the pension when they reach seventy. Would that be correct?

Mr. FLEMING: It is more than that; it is a case of pensioners dying off for one thing, and it would be explained also by some pensioners ceasing to be eligible.

The CHAIRMAN: I believe that the largest drop would be due to the fact that less people getting to seventy are applying for the pension.

Mr. CROLL: It is obvious that economic conditions on the prairies over the years have given them a stability that is not reflected in the rest of the country.

Mr. FERRIE: Why not take into consideration what I said at the start. You talk about justice with mercy, you have a government out there that does not believe, right to the bottom of itself, that there should be no means test. They are the hardest means test outfit in Canada, and that has done it.

Mr. CROLL: You are talking about Saskatchewan.

Mr. KNOWLES: May I ask Dr. Davidson if what Mr. Ferrie suggests has affected the situation?

The CHAIRMAN: Please?

Mr. FERRIE: No, no.

The CHAIRMAN: I believe Dr. Davidson has the question but I do not know whether he wishes to answer it.

The WITNESS: I can only say this: the figures should speak for themselves.

Mr. FERRIE: Thank you very much.

The WITNESS: These figures relate to—

Mr. FERRIE: They apply the means test all the way through—you are worse than any bunch in Canada.

Mr. KNOWLES: Listen to the witness.

The WITNESS: These figures relate only to pension payments to pensioners under the Old Age Pensions Act.

Mr. BLAIR: Will you explain why the figures for Saskatchewan steadily decreased from 52.1 in 1938 to 42.8 in 1949?

Mr. CROLL: The same thing happened to the figures for Alberta.

Mr. BLAIR: There must be some explanation.

Mr. CROLL: That was the question.

The WITNESS: The only explanation I have suggested is that it relates to the relative degree of farm prosperity during the years.

The CHAIRMAN: Order, gentlemen, please.

Mr. FLEMING: Farm prosperity is not likely to be reflected in the income of people already on pension. It is likely to be reflected in people in their sixties and coming up to their seventies who will not draw pensions.

The CHAIRMAN: Order, please.

Mr. KNOWLES: Well, could the witness—

The CHAIRMAN: There was no answer to Mr. Fleming's question.

Mr. CROLL: There could not be.

The WITNESS: Mr. Fleming, take for example the case of an old age pensioner who has a quarter section of land. He may be on the old age pension and still have a quarter section of land which he is holding. If he has a good crop in any of these years it is reflected in his income—in the same way as for any person between sixty and seventy who had an improvement in income—that would be reflected in his economic circumstances.

Mr. FLEMING: Would it be possible, Dr. Davidson, to get those figures? I think it might be interesting to have such information as is available even if it may not be complete.

Mr. COTE: Would you say that in Saskatchewan the percentage of those owning property has been increasing at a higher rate? Would that account for it?

The WITNESS: I would not like to make a statement on that unless I checked first the statistics that are available for Saskatchewan. I could not express an opinion.

Mr. MACINNIS: If you will look at the Saskatchewan percentages you will notice that in 1938 the percentage was 52·1. That percentage dropped in each year to 1944 when it was 45·4 per cent. This is for the benefit of Mr. Ferrie, when I say that until 1944 there was a 7 per cent drop.

Mr. BENIDICKSON: It went up from 41·2 to 43·8 per cent.

Mr. MACINNIS: In 1944 the present government came into office and there has been a drop of approximately 3 per cent since 1944 but there was a drop of 7 per cent in the years when the other government was in office.

Mr. FERRIE: That proves my point.

The CHAIRMAN: It is interesting to note also the prices that western farmers are receiving for crops. It is useless to discuss politics here and I do not believe that we are here for that at all.

Mr. KNOWLES: I want to say a word along that line in connection with the situation in Manitoba and I am speaking about one farmer whom I happen to know very well—without going any further in identifying the case. Through the 1930's, as sure as anything, he was heading for the old age pension—farming was that poor a business. The wartime prosperity improved the situation and he was able to sell his farm. He is now able to live modestly on the income he received through selling the farm—otherwise he would have had to go on the old age pension. I am sure that during the war years there were many families who were able to do just that. I think Mr. Croll was right when he said that economic conditions on the prairies have caused this decline, and it is economic conditions again which have increased the numbers on pension in some of the other parts of Canada.

Mr. BROWN: I move we get along with the business.

Mr. SMITH: I think that situation would be true of maritime provinces. I know that during the war there were many people with good incomes but, as the post war conditions levelled off I know that they have not been able to earn such money and they are applying for pensions.

By Mr. Ashbourne:

Q. I think that is all the more reason why we should get the figures right up to date in the Maritimes, as far as possible.—A. I am not quite clear, I must confess, as to what Mr. Fleming has asked me to get by four o'clock this afternoon.

By Mr. Fleming:

Q. I did not ask you to get it by four o'clock this afternoon. I did think that it might take some time. My request for information arose out of Dr. Davidson's statement that there was some information available from the provinces as to the percentage of reduction, whether it was attributable to people going off pension by reason of ineligibility or for death.—A. Would it be helpful if we could obtain the information from the provincial Annual Reports showing the reasons why people have gone off pension?

Q. As far as the information is available; but I did not expect to have it by this afternoon.

By Mr. Knowles:

Q. Since Dr. Davidson is going to get figures like that, would he show whether in any province there has been any decline in the absolute number of persons on pension? I gather that Mr. Fleming is assuming there has been a decline in the actual number.—A. That information is to be found on page 16, table 7 of the administration's annual report.

Mr. FLEMING: I am not making any such assumption, Mr. Knowles.

By Mr. Knowles:

Q. That table shows an increase in all cases.—A. It shows, during the war years, a decline in some provinces. I think you will find that the table answers your question.

Q. Yes, it does. Thank you.

The CHAIRMAN: The next chapter is entitled "Provincial Variations". There may be quite a long discussion on this, so would it be the wish of the committee that we adjourn now until four o'clock this afternoon?

Mr. CROLL: Yes, let us adjourn.

The CHAIRMAN: Very well then, four o'clock, gentlemen.

The WITNESS: Might I intervene to ask, in terms of preparing the way for the next item of discussion, whether it is agreeable to the committee that we take the next countries in this order: Australia, tomorrow, if we finish Canada today; then New Zealand on Thursday; and next week, the United States on Tuesday; Sweden or France on Wednesday, the short session; and the United Kingdom on Thursday? Is that order, roughly, satisfactory?

Mr. FLEMING: Might I suggest that we approve the order but do not confine ourselves to those dates

Mr. BROWN: That is a matter for the Steering Committee.

The CHAIRMAN: Oh, yes, that is the general programme.

The committee adjourned until 4 p.m. today.

AFTERNOON SESSION

The committee resumed at 4:05 p.m.

The CHAIRMAN: Order, gentlemen, we have a quorum.

This morning I said that we had received no answers from the provincial welfare ministers. Since that time we did receive a communication from Honourable H. L. Pottle, Minister of Public Welfare in the Newfoundland Government, in which he acknowledges receipt of Mr. Arsenault's letter and says that he has begun to look into the question in the light of the terms of reference to the committee and that he shall be glad to write more definitely towards the end of the present month.

Mr. SHAW: Is it the intention to supply all the provincial ministers of welfare with the daily reports of evidence? I think it would be a wise thing to do.

The CHAIRMAN: It is wise; and I thank you for the suggestion. Mr. Arsenault will see that their names are put on the mailing list.

Now, this morning the committee reporters had certain trouble taking down all that was said because at times many members would speak together. I would ask for your co-operation in the matter and I would be very glad if before entering the discussion a member would try to attract my attention.

Mr. SHAW: I have lost my voice but I will do my best.

The CHAIRMAN: It will always be good anyway.

Well, Dr. Davidson, will you continue?

The WITNESS: Mr. Chairman, we were discussing certain features of Chart "C" which comes before page 6 of the mimeographed document, and I suggest in concluding the section we were discussing this morning that I be permitted to read just two paragraphs on page 7 of the report which provides the transition from the section we have been discussing to the new section.

These variations reflect to some extent the relative economic circumstances of the aged in different parts of Canada: for example, it is not difficult to accept the inference that the percentage of pensioners in Ontario and British Columbia is relatively low because there are more aged persons in those provinces who are able to maintain themselves without public assistance. Likewise, it is to be expected that in the economically less favoured provinces of Newfoundland and New Brunswick a relatively high percentage of the aged would find themselves in need.

I might interject here, Mr. Chairman, that in the text I point out that in New Brunswick and Newfoundland we expect that as of the end of March 1950 we will have had approximately 70 per cent of all persons 70 years of age or over on pension in those two provinces, so that it is not difficult to understand why on the one hand the better favoured provinces economically should be at the lower end of the scale and the less favoured provinces economically should be at the higher end of the scale.

Then the text goes on as follows:

It is to be doubted, however, whether this is the full explanation of the wide degree of variation between the provinces. At least a part of the explanation is also probably to be found in different administrative practices prevailing in the various provinces within the over-all limits imposed by the federal law and regulations.

Now, it seems to me, Mr. Chairman, that this is a fairly important point to bring to the committee's attention because in the pages which follow an effort is made to indicate, first of all, what is the basis of the federal provisions in certain instances respecting the principle of means testing, which is to be applied, and then the text goes on in these specific instances to illustrate how the principle which is stated in the Federal Act or regulations is actually applied in the various provinces. I think the evidence that is contained in this material will satisfy members of the committee that there is a fair amount of variation actually as between various provinces in the way they apply the means test and that there is a degree of leeway which is implicit in the present arrangements under which the federal authority lays down the principle in the Act, and to some extent in the regulations, and then leaves it to the provinces to apply the principle under a formula or procedure that they devise on their own responsibility.

The point I am making—and I do this quite genuinely and without any endeavour to disassociate the federal authority from its share of the responsibility for means testing procedure as laid down in the regulations—the point I am trying to establish here is that within those general principles there is a significant amount of leeway and variation possible as between the various provinces and that the provinces, for that portion of the means testing procedures, have the responsibility for determining exactly the types of procedures they are going to follow.

That point will become clear, I suggest, to members of the committee as we take up the various instances I have set forth here in the report. The first of

these deals with one phase, namely, the manner in which income is calculated for purposes of determining eligibility for pension or determining the amount of pension that an individual applicant is entitled to receive.

The first illustration I take relates to the question of free board and lodging which is supplied in a substantial number of cases to pensioners living with their sons and daughters or friends who are housing and boarding them free of charge. Members will appreciate that these income calculations are related to the principles laid down in the federal Act, namely, that a person to be entitled to old age pension must have an income annually that does not exceed, both outside income and the pension itself, \$600 a year in the case of a single person or \$1,080 a year in the case of a married couple. Federal regulation 10, provides that in determining the amount of pension that an individual applicant is entitled to receive the provincial pension authority, and here I am quoting the regulation: "must take into account the amount or value of all income and contributions received, whether in cash or in kind".

There are certain stated exceptions to that in the regulations but generally speaking the broad principle is laid down that the provincial pension authority must take into account in determining the amount of pension, the value of all income and contributions received, whether in cash, or in kind, received by the pensioner.

Obviously, that means that the federal regulation, in the case of a pensioner who is receiving free board and lodging from a son or a daughter, lays upon the provincial pension authority the obligation to take into account the value of that free board and lodging and to that extent the province is bound by the provisions of the Old Age Pensions Act and regulations. However the federal Act and regulations have nothing to say, Mr. Chairman, with regard to the amount at which a provincial pension authority is to value that free board and lodging. When we come to an examination of the ways in which the provincial pension authorities proceed to value that board and lodging we find some very interesting differences and I would draw your attention in this connection to Chart "D", which is an up to date statement, with certain exceptions that I will mention. This is an up to date statement of the values which provincial pension authorities place upon shelter, board, or combined board and shelter, in the case of single pensioners and married couples.

I should explain that with the exception of Alberta and Prince Edward Island, which have not yet replied to a recent communication we sent out to the provinces, all the other provinces are completely up to date and that statement is as of March, 1950.

In the case of Alberta and Prince Edward Island the information given is based on data provided in January 1949. If there are any amendments in the light of letters that we may receive from those two provinces in the course of these hearings we will advise the committee.

Mr. LAING: Do you know of any changes that have been made?

The WITNESS: I know of no changes in any of these provinces from the text, as shown here, Mr. Laing.

Mr. LAING: But have these been altered since the increases went into effect in the Old Age Pensions Act?

The WITNESS: Oh, yes, changes have been made from time to time by the provinces in regard to these figures.

Mr. LAING: Recently?

The WITNESS: Some have been changed since the last time we got the figures in January, 1949.

I think if members of the committee will examine this chart, they will see that as between the different provinces there is a considerable degree of variation in the amount that is charged for free board and lodging and the amount

consequently that an old age pensioner might be entitled to receive if he was receiving free board and lodging. You will notice a range from a low in Manitoba of \$125 for free board and lodging for a single person to a high in the Yukon Territory of \$360 as the value of free board and lodging there.

At the top of page 9, I have shown what amount of pension under this arrangement would be receivable by an old age pensioner in the different provinces of Canada if he had free board and lodging and no other assets or income. In Manitoba under this arrangement for a single person the amount would be \$475, that is, it diminishes the amount receivable by only \$5 a year. That is the most generous. In Alberta, British Columbia, and Saskatchewan the pension is reduced to \$420; in New Brunswick and Nova Scotia, \$390; \$360 in Newfoundland; \$300 in Ontario and Prince Edward Island; \$270 in Quebec and \$240 in the Yukon Territory.

From these figures are drawn two inferences: the first one is that in terms of the actual cost or value of board and lodging today, most of the provincial figures show that the provinces assess the value of free board and lodging at a level considerably below the actual cost of the board and lodging at the present time. That is an operation that benefits the pensioners rather than the reverse. The second inference that is evident from these figures is that under the broad principle laid down in the federal Act and regulations to the effect that the provinces must take items like this into account, the provinces have a fairly wide degree of discretion and do, in effect, exercise a fairly wide measure of discretion in the value they place on income items such as I have mentioned here.

I might pause at this point, Mr. Chairman, for questions.

The CHAIRMAN: Yes, that is a good idea. Are there any questions?

Mr. SHAW: Mr. Chairman, I wonder if Dr. Davidson could conceivably agree with me when I suggest that under this section of our Old Age Pensions Act we run into the greatest amount of discrimination. Now, for example, you may have a father or a mother or both who are living with a son or daughter, who in turn has a family of his or her own to support, and are unable to provide for them, but in many cases they are doing it just the same because there is no alternative. The pension authorities now come along and say in view of the fact that you are now securing free board and lodging we must give you a lower pension, a pension so low in fact that they are unable to leave the home of their son or daughter and be on their own, whereas, if justice were done, this couple might conceivably, in securing the maximum pension, move out of the home of their son or daughter where they may have no particular desire to reside, and establish their own domicile. Now, I have known of cases where they have been living in their own home with no outside source of income, supported by a son or daughter and they make application and collect the maximum pension. This happens in a case where the son or daughter is unmarried, yet, in the other case they are deprived of the maximum pension even though receiving their board and lodging in both cases. It appears to me that a great deal of discrimination arises under this particular section of our Old Age Pensions Act. Maybe I have not explained it as fully as I should, but I have bumped into this so frequently, and I think in my own province the system and administration is not different from that in the other provinces.

The WITNESS: Might I ask you, Mr. Shaw, whether the two types of cases you are referring to both occur in the same province?

Mr. SHAW: That is correct. I have, in fact, drawn these cases to the attention of the provincial authorities.

The WITNESS: I cannot myself explain why in the two examples such as you have outlined, the value of board and lodging in one case would not affect the pension at all and the value of the board and lodging in the other case would affect it.

Mr. BENEDICKSON: In the one case it is not disclosed, and in the other case it is obvious that it is disclosed.

Mr. SHAW: In the one case—we will put it this way—the unmarried daughter may be working and living at home providing for her parents, and the argument is sometimes advanced that the parents require the presence of the daughter there to enable them to get along as satisfactorily as they should. That may be due to a condition of age but there does appear to me that there has been a great deal of discrimination and I feel this occurs in most of the provinces under that particular section or I would not bring it to the attention of the committee. Of course, conceivably there is room for improvement in there if we continue with a means test. However, we may not have to. I do not think I should pursue the matter any further. I just wanted to bring that point to the attention of the committee.

The CHAIRMAN: On Mr. Shaw's question, it all depends on the administration by the provincial authority. For instance suppose than in Quebec, an old age pensioner, or two old age pensioners, live with their son and daughter-in-law. If the son and daughter-in-law can give evidence that they are not in a financial position to keep the parents the parents are entitled to the full pension so that they can help the young people in sustaining them. I have had such cases occur quite frequently in my own experience, and these cases can be dealt with by the Quebec provincial authorities with a large amount of discrimination.

Mr. SHAW: May I put this question to Dr. Davidson: What effort is made to bring about a reasonable degree of uniformity in the interpretation of regulations under the Old Age Pensions Act? I see reference here to a meeting of this—I don't know what you call it—interprovincial board. I notice they have not met since 1948, but there have been many changes since 1948. Has any effort been made or is any effort being made to bring representatives together to establish as high a degree as possible of uniformity of interpretation?

The WITNESS: To that question, sir, I would answer that we have endeavoured in the years since the Department of National Health and Welfare has taken over the administration to do all we can to bring about that end. We had meetings of this interprovincial committee or board in 1946 and 1948, and we had contemplated having a meeting of that board this year. We would normally have had a meeting of the Interprovincial Old Age Pension board just about now had it not been for the fact that this committee was established, and we obviously could not deal with both bodies at the same time. One must keep in mind, however, the fact that when changes are made in the regulations those changes involve a tremendous amount of extra work on the part of the provinces in going over their entire case list and adjusting cases to meet the new change; and in such circumstances it is only fair to the provinces to consult their wishes as to these meetings, of the Interprovincial Old Age Pension board. In this last instance we wrote to the provinces as far back as early in 1949—I think I am right in saying that—asking them whether they would like to have a meeting of the interprovincial board in the fall of 1949. Quite a number of them wrote back and said: please don't call a meeting too soon; we have enough problems on our hands getting through the adjustments of the 1949 change and we would not like to have to rehash all the regulations all over again quite so soon.

Now, I do not like to say that there is discrimination as between the types of case to which Mr. Shaw has referred. I would be the first to admit, in fact this section of the report clearly establishes, that there is considerable variation as between the provinces. But one has to consider in every case just to what extent you want to establish uniformly rigid regulations that apply in

terms of dollars and cents as against a fair degree of flexibility, because conditions differ widely in each of the provinces; and the federal authority felt, rightly or wrongly, that it should endeavour to phrase its regulations in respect to income calculations in particular in terms of broad general principles and leave it to the provincial authorities to work out the detailed application of them in terms which suit best the authorities of a particular province. Now, that is a justification for the present situation where administration is left with the provincial authorities who apply these procedures; but I must admit it does extend different treatment to the same type of case in different provinces.

Mr. SHAW: I would be prepared to leave this now with the observation that this might be another good reason for the abolition of the means test.

Mr. CROLL: I do not think we need any reason for that. Just let's follow that up for a moment. I have read your whole brief—that might surprise you, Dr. Davidson—bearing out just what you said. I may be a little ahead of myself because I note that you deal with administration as it affects the maritime provinces particularly, because I think that is the point—shall we do that now? This is on page 11, but it relates to this argument which we are in.

The CHAIRMAN: I think we should deal with that later; we are on shelter now.

Mr. BENEDICKSON: Referring to chart "D", how is the administration worked out in the Yukon? Do they have funds available there with which to meet their share of the payments?

The WITNESS: The Yukon Territory has finances of its own from which their 25 per cent contribution is paid. It has local taxing powers, that is the territorial authorities in the Yukon Territory have them; and in that respect they differ from the territorial authority in the Northwest Territories.

By Mr. Fleming:

Q. Mr. Chairman, I notice the brief has to do with the problem—so far we are speaking of administration—that arises out of the means test; is that not a fair observation?—A. Yes.

Q. Is it not equally fair to say that most of your problem in reference to administration arises out of the means test?—A. Yes. But might I just interject there, Mr. Fleming? That was in the introductory section; and at the conclusion the brief again points out that after all, the basic principle of the program as we have it today is that it is a means test program.

Q. Quite.—A. It is not surprising therefore that the main problems should arise around that test.

Q. And, coming to this matter of discrimination, you seem to suggest that there is merit in flexibility and economic conditions in the different provinces may justify such a measure of flexibility that seems to me really to actually result in discrimination as between the people in the different provinces. I do not think you go quite that far.—A. I think what I intended to convey is that under any general scheme of provincial administration such as we have, there is merit in leaving a fair amount of discretion with the provinces in the administration of the old age pension system in such a way as they believe best applies to their particular province. I would not infer from that that under another system that might not involve joint dominion-provincial responsibility that that principle of variability should apply.

Q. If you eliminated the means test would you not have fewer of these discriminations that we have been talking about?

Mr. CROLL: I think the answer is obvious, and I think we ought to have it. It is a straightforward question.

The CHAIRMAN: The answer to that is "no".

Mr. CROLL: Is it?

The CHAIRMAN: The answer is "no". Everybody knows that. Take, for instance, family allowances. That is the kind of question by which a member wants to convey his own opinion; and I would like to say, gentlemen, that it has always been my opinion that such questions should be avoided.

Mr. FLEMING: If you are making that observation in reference to my question let me tell you flatly that your observation is entirely misdirected.

The CHAIRMAN: I am not making any reference to your question, somebody asked it.

Mr. FLEMING: Well then, pardon me.

Mr. CROLL: Does it relate to the observation that I made?

The CHAIRMAN: That is right; to an observation you made.

Mr. CROLL: Well then, I suggest that you did not get it correctly. Let us get it now. What I said was, we ought to have an answer to the question that Mr. Fleming asked, and your opinion was that it appeared to be an obvious answer; obvious, yes, but an important one.

The CHAIRMAN: It is very obvious, and its obvious purpose is to convey the opinion of one member.

Mr. FLEMING: Does Dr. Davidson know that I wanted his obvious answer?

Mr. CROLL: I am not sure.

Mr. FLEMING: What I am trying to get at on this point, Dr. Davidson; is this; that in a country as big as ours with the different provinces having variable economic conditions, that as long as you have dominion-provincial joint administration of any old age pension scheme you are going to have many cases arise which will look like discrimination as between the different people of the different provinces. Now, if the means test is taken out are you going to reduce the area of discrimination, and if so, substantially?

The WITNESS: I think, Mr. Chairman, that depends on the kind of scheme you introduce. You can have discrimination both ways. You can have what appears to be an equitable treatment such as would be involved in the system of old age pensions based on a flat rate that applied from one end of Canada to the other. From one point of view that would appear to be equitable and fair—no variation and free from discrimination; but there may be a very considerable element of discrimination in such a system, because urban residents get the same pension as rural residents; and the person in the rural area, or the person in one part of Canada, might have a relatively lower cost of living, yet he would get a basic pension no different from that received by the other. On the other hand, you could have a system in which you try to work out a regional differential; which I think is what Mr. Fleming was getting at. You have a more complicated system in the first place from the administrative point of view; and, secondly, while you may from the point of view of administration be trying to achieve real equity in its operations, yet at the same time create what appear to be inequities because a person in one part of Canada would be paid a pension rate in dollars that is higher than it is in other parts of Canada. And I think you face a genuine dilemma when you try to decide which of the systems you are going to employ in a national plan.

Mr. CROLL: That is so. I think that is one of the key questions.

The WITNESS: One of the core questions which the committee may have to consider is that very question, and no doubt they will try to come to some conclusion on it. What it boils down to is this: Does the committee want to consider and recommend a flat system in dollars and cents across the country, or does it want to work out a system that involves regional variations on a given kind of pension?

Mr. CROLL: May I ask the witness this, Mr. Chairman? Is not this question also true with respect to family allowances? Is this not the same element as is applicable to family allowances?

The WITNESS: Quite, but with this important difference—

Mr. FERRIE: Mr. Chairman, I move we adjourn until after the vote.

The WITNESS: I think this is the main difference, that under family allowances you are not proposing to pay an amount that comes anywhere near representing the total cost of maintenance, whereas under old age pensions you come more closely to attempting to do that.

The CHAIRMAN: The committee stands adjourned until after the vote.

(The committee adjourned during a division in the House.)

(The committee resumed.)

The CHAIRMAN: Order, gentlemen.

By Mr. Smith:

Q. May I ask Dr. Davidson a question with regard to Chart D. I noticed that in Nova Scotia the claim for free board and shelter is \$210 or less. That is the only place where the "or less" is noted. What does that mean?

A. Those words, incidentally, should also be attached to the \$420 down below. The explanation, according to the director of old age pensions for Nova Scotia, is that they may adjust that figure downward in certain circumstances, where they find, on investigation in the home, that the level of living and the general value of board and lodging should be lower. There is an element of further discretion which enters there.

Q. What happens to the people that are in poor farms? Years ago they were taken in under the Pensions Act, and at that time they were all generally taken to be given free board and lodging but it was being paid by the county. What happened to the old age pensions? Were they given the maximum or was their pension reduced by an amount of free board and shelter?

A. I am afraid that was before my time. I would have to ask Mr. MacFarlane whether he has any information on the point.

Mr. MacFarlane tells me that if the county was providing free board and shelter then that was taken into account on the same basis exactly as if a son or daughter were providing free board and shelter, and a partial pension would be payable.

Mr. LAING: The question of discrimination has arisen and I would like to make an observation here—and I am not attempting to give my own opinion. Discrimination has been spoken of in respect to those people who were obtaining very nominal board and shelter—as against near relatives providing the same. It would appear to me that there is equal or even greater discrimination against those who have not the good fortune to obtain the free board and shelter in homes where they can enjoy comfortable and amicable relations with relatives. I think the matter of discrimination enters equally against those who have not the good fortune to have relatives with them.

The CHAIRMAN: Are there any more questions on Chart B?

Mr. COTE: May I discuss this discrimination a minute. I have listened to the discussion and to the remarks regarding discrimination that might arise between different scales being adopted in different provinces through interpretation of the regulations.

Now, within one province, in the case of a clearcut discrimination by the provincial authorities in the handling of a claim and the adjudication of any application, I assume there is nothing that can be done from here to re-open the case or to obtain better treatment in a particular case. I have several cases in mind; that is why I ask.

The WITNESS: I think I am correct in saying that in anything that I have said about the variation between provinces in respect of the application of this means test feature, I have not once this afternoon used the word "discrimination". I do not suggest there is discrimination between the various provinces but I suggest there is variation. If the word discrimination has been used, it has been used by members.

Mr. CROLL: You said "variation in treatment."

The WITNESS: There is a difference.

Mr. KNOWLES: You are very discriminatory.

The WITNESS: So far as the question raised by Mr. Cote is concerned, if there was a situation brought to our notice where there was evidence of discrimination in a given province in the treatment of two identical cases, we could bring those two cases to the attention of the provincial authorities. We could give them our opinion on the matter; but I would like to make it clear that we have no means whereby we can say to the provincial authorities that the two cases must be treated alike and that one pension must be raised to the level of the other. In fact, we are not entitled to say that a pension must be paid at all—even in the case of a person who in our opinion is entitled to one. The Act simply provides for our reimbursement of the province in respect of any case that they may see fit to give a pension to.

Mr. COTE: You could take a stronger attitude towards the provinces and flatly deny the 75 per cent share in any case which should not have been admitted to pension by the province.

The WITNESS: We can refuse to reimburse the province in any case that is being improperly paid but, in the kind of case you are referring to: where the province may have paid a smaller pension than the applicant, in our opinion and according to our calculations, is entitled to—we have no sanction that we can impose upon the province to compel it to pay the man what we think should be paid.

By Mr. Fleming:

Q. Does that mean the only case in which you have interfered or queried an award of the province is where you have rejected it or reduced it; there are no cases where the province has revised the pension on your insistence?—A. Those are the only cases.

Q. That is a fact. Speaking broadly, has your department of the government ever made any representations to the provinces with a view to eliminating these variations in treatment or reducing them?—A. We discuss questions of this kind periodically at the interprovincial meetings of the old age pension boards when efforts are made to see if we can arrive with the provinces at a more even balance of these different means test features. There will be one or two specific illustrations of it brought out later as we go along.

In respect of individual cases when we get a letter from a member of parliament, for instance, we get all the facts at our disposal—which we must get from the provincial authorities because we have not the individual records of cases here. If, according to our interpretation of the law, the applicant is entitled to a degree of consideration which he has not received from the province, we will write to the province and say that as we work out the calculation it is our

view that the applicant would be entitled to a pension of a certain amount if the facts as given by the province with respect to income are accurate. We will express our opinion to that extent but the province, of course, has the final right to decide whether they will agree with our calculation.

Q. You say that you have only done that in these conferences, but you do not do it as a matter of communication?—A. I distinguish between the conferences where we discuss general provisions, and individual cases where we write on individual situations to the different provinces.

The CHAIRMAN: But you have no sanctions on them?

The WITNESS: No.

By Mr. Brown:

Q. Do I understand this correctly? For instance, in Manitoba and Ontario a single man would get \$40 per month pension—I mean that is his pension with his supplementary pension—A. A man getting free board and lodging?

Q. No, his basic pension would be \$40 a month?—A. The maximum pension in Ontario and Manitoba is \$40 a month.

Q. From that would be deducted \$300 for free board and lodging?—A. No, I should correct that, Mr. Brown. The value of the free board and lodging is not subtracted from the maximum amount of pension payable. The value of the free board and lodging is subtracted from the maximum amount of income allowable—which is \$600—so, if you look at page 9 you will see the exact amount of pension that would be received.

Q. That brings up another point of observation. These briefs were only handed to us this morning and I, for one, have not been able to go through it too carefully.

The CHAIRMAN: They were given out last night at 7 o'clock.

Mr. BROWN: I did not get mine until this morning.

The CHAIRMAN: They were in the mail boxes of all members at 7 o'clock last night. We did not get them until six o'clock and they were distributed immediately.

Mr. BROWN: Well, if I pursue this question, I would like to understand a little more about—

Mr. KNOWLES: Mr. Brown's point still holds. A single pensioner in Ontario would get \$300 per year and in Manitoba he would get \$475.

The WITNESS: That is correct.

Mr. CROLL: That is discrimination.

Mr. SHAW: Mr. Chairman, earlier this afternoon, I probably introduced the use of the word discrimination I considered it in a very loose sense, and the proper expression would have been "variation in treatment." I do not want it to be thought for one moment that in my province the old age pension board is guilty of discrimination in the sense that it now seems to be regarded. I think, on the contrary, that it will be found that the superintendent of the board is a very fine man, and those inevitable conditions which appear are the result of the application of the means test.

The CHAIRMAN: But there is not discrimination in one province?

Mr. SHAW: You will find that it is because of the difficulty of interpreting certain cases in the light of the Act itself.

By Mr. Smith:

Q. I would like to ask one question in relation to chart D. What happens to the man on a poor farm who has been, for some years, in the care of and

paid for by the county due to some mental trouble? He becomes seventy and then, automatically, he applies for a pension. Is his pension paid at the maximum rate or is the county still obliged to provide free board and shelter?—A. Are you asking about an inmate of a mental hospital?

Q. Not a mental hospital but we have lots of what we call poor farms. We have had people in the care of those institutions for years—people who have not been able to earn their living due to a weakness. They may enter those places when they are fifty and when they are seventy they would ordinarily come under the old age pension administration.

Mr. BLAIR: The same thing would apply in the case of county homes?

Mr. SMITH: We call them poor farms.

Mr. MACINNIS: I was going to say in answer to the question that, although I do not know how it is done now in British Columbia, some years ago when I was on the council the pension was assigned to the city and the pensioner was taken care of in the institution.

By Mr. Smith:

Q. My point is, and my question is does the man get a maximum pension or is his pension cut down to the extent of the free board and shelter which he has had for previous years?—A. In other words: do we take over under the provincial-federal pensions the liability of the county?

Q. That is right.—A. I am informed by Mr. MacFarlane that in this case a partial pension is paid, and that the county is expected to continue to supply the value of free board and lodging as it has in the past, and the valuation of that board and lodging is charged against the total allowable income of the pensioner.

Q. Thank you.

By Mr. Fleming:

Q. My question concerns the converse of that case. Has the dominion received any representations from the provinces with a view to eliminating these variations in treatment as between the different provinces?—A. Not to my knowledge. As a matter of fact, we do not even get formal notification from a province if they decide that they will alter this scale of charges which I set forth in chart "D". Our auditors or examiners find out about it when they go into the province, or we might find out about it when we circularize, as we did in March. But they have complete discretion to vary these from time to time and in the light of conditions as they visualize them in their own province.

Q. It is purely a question of interpretation then?—A. Quite.

The CHAIRMAN: Are there any more questions on the charts? Only two provinces, Dr. Davidson, take into account the fact that it costs, usually, less than double for a couple than for a single person.

The WITNESS: That is correct.

By the Chairman:

Q. I understand that in a general way the ceiling and the value of the free board and shelter are the same for a man of 70 who is married to a woman of 70, when both are receiving pension, as for a man of 70 who is married to a person of 68, when only the man is receiving that \$40.—A. That is right.

Q. The scheme does not take into account the obligations of the receiver of the pension. It is given to him only on account of his age and his income, of course. But I mean—A. Both of those cases, whether they are both over 70

or one of them is under 70 are treated under the category which provides that a married pensioner may have an outside income of \$1,080 including whatever pension is paid to him or to his wife.

Q. I was drawing the attention of the committee, without giving any personal opinion, to the fact that a man, without any means at all, of 70 years, who is married to a woman of 69 receives \$40, while his neighbour who is in exactly the same condition, without any means at all, and is 70 years of age and is married to a woman of 70 years, gets exactly double. That is \$80. This is the position of this case, is it not?

Mr. CROLL: That is true.

Mr. FERRIE: And why is the pension cut?

The CHAIRMAN: It is not cut. It is personal.

Mr. FERRIE: Well, if it is personal, it ought to be \$1,200.

Mr. KNOWLES: We are talking about two different things. You are talking about a ceiling while the chairman is talking about a pension.

Mr. LAING: What about the words "in outlook" in line 13 on page 10? Could the chairman enlarge on that?

The CHAIRMAN: I wonder if Mr. Laing would mind waiting. We are still dealing with chart D and I was about to ask if there were any more questions on it so that we could move along. When we get there, I will take up your question, Mr. Laing. I am sorry, but the rule must be the same for all.

The WITNESS: The next example of this kind comes in connection with the variations as between the provinces in their calculation of income from real property, and the purpose of this section is to do exactly what the previous sections did, to lay before the committee, first of all, the overall principles laid down in the federal regulations and to show the various ways which the provinces have adopted for putting these principles into actual practice.

The regulations state that in the case of an applicant living in his own home, the pension authority must consider as income, as the shelter value of the property, an amount which in the opinion of the pension authority is fairly equivalent to the amount which the pensioner might reasonably be expected to pay for rent. But in fixing such an amount, the pension authority may deduct all or any part of the cost of maintaining such property, except for the repayment of principal on a mortgage or an agreement of sale.

That was a regulation which was adopted in 1946, revising a previous regulation which had put an arbitrary 5 per cent assessment on all property used as a residence.

This was worked out after full and detailed consideration, and was agreed to by provincial pension authorities because it was felt that the 5 per cent rule was probably too arbitrary and did not apply equally in all cases, particularly in view of the variation of assessment in different municipalities, and that we should try to work out a more equitable basis of assessing rent or income from property of this kind in individual cases.

And it was for that reason that we provided an overall formula involving a fair rental value, less the actual expenses incurred by the pensioner in maintaining his property, such as taxes, interest on mortgage, fire insurance, water rates, and other items of that kind. The results which followed show, by implication at least, that the provinces had such great difficulty in trying to apply that new formula to individual cases that they, in most instances, returned to a more rule-of-thumb procedure of charging certain fixed percentages of assessment as the income value of property used as a residence. For example, British Columbia, Manitoba, and Alberta are still under this fair rental value regulation, doing what they did before under the earlier regulation: they are applying right across the board an income charge for property used as a home amounting to

5 per cent of the assessed value of the property less encumbrances. If we ask British Columbia about it, they would have to say to us: we regard this as being the amount that is fairly equivalent to the amount that the pensioner might reasonably be expected to pay for rent.

Coming to Quebec, you will find that they use a 5 per cent formula for equity in property up to \$3,000; while for property in which the equity is from \$3,000 to \$4,000, they charge a 6 per cent rate, and so on up to a 10 per cent rate at the highest level.

Ontario, on the other hand, takes 4 per cent of the assessed value whether the property is encumbered or not. Ontario is one province which did seriously try to apply this regulation in the terms in which we drafted it in 1946. They have for a number of years used a formula on the basis of which they took as the fair rental value of the property a figure which real estate authorities usually acknowledge as rental, being about 10 per cent of the value of the property. Ontario would then deduct from that—they would obtain vouchers from the owner of the property as to his maintenance costs for the property, and they would deduct that amount from the 10 per cent. But the details which were involved in such a procedure, and the difficulty of keeping track of the expenses on the part of the pensioner were such that the Ontario authorities have, on their own initiative, within recent months, come back to this flat 4 per cent formula which is set forth in this document.

Nova Scotia and Newfoundland, on the other hand, work on an entirely different basis. Where a pensioner has property which he uses as a home in those provinces, if he is single, it is taken into account, as if he were receiving \$60 per year as income, and if married, \$120. And Saskatchewan has a sliding scale formula which is set forth at the bottom of the page. I do not think it is necessary for us to go into the details of these different formulae. The point is that they are widely different and that they do have a significant effect on the income that is charged to a pensioner on account of the ownership of property which he uses as a home; and through that very fact, plus the fact that the ceiling is a flat ceiling of \$600 for all single people, that has an effect on the actual amount of pension which the individual pensioner may receive in the different provinces.

By Mr. MacInnis:

Q. Is there any real property which is not taken into consideration when ascertaining the value of the real property?—A. I have spoken about property which is used as a home, and in that case, of course, all the property that is used as a home is taken into account in the way I have mentioned. I perhaps should add that in one letter from the province of Saskatchewan we were advised that in cases of trailers or shacks, or even mud huts, where it was impossible to consider that they had any real shelter value—in those cases their individual welfare workers had a discretion to recommend that this \$60 valuation for a single person and \$90 for a married couple be washed out, if the assessed value of the property were less than \$500. But with that very narrow exception, so far as I am aware, all other property used as a home is assessed for income purposes in the terms I have described.

The reason is, of course, fairly obvious. It is an endeavour to equalize the position of people who own their own shelters with the position of other pensioners who perhaps are on the whole less fortunate, in that they have to rent accommodation.

As to that part of your question which has reference to property not used as a home, when there is property which is held by an applicant and which is not being used as a home by him, the pension authority endeavours to ascertain what the net income of that property really is. In other words, the pension

authority is expected to assess the revenue at the time which is derivable from that property as well as the actual expenses of maintaining that property and to charge the net amount as income against the maximum allowable income.

By Mr. MacInnis:

Q. I believe in some countries, in ascertaining the income, real property in a home is not taken into consideration.—A. That is true of Canada among other countries, in so far as the War Veterans Allowance Act is concerned. That is the kind of situation you are referring to.

By Mr. Brown:

Q. If a person is thrifty and does provide for himself a rather comfortable but expensive home, he is penalized because of that as compared to the man who has nothing. Is that not correct?—A. Even that is not necessarily true because I would direct your attention again to the wording of the regulation which states that the pension authorities shall consider as income an amount that is fairly equivalent to the amount that the pensioner might reasonably be expected to pay for rent. That does not say that he shall be charged the fair rental value of the property in which the pensioner is living. As a matter of fact, that fact is brought out very clearly in the procedure followed by Nova Scotia where, regardless of the value of the property in which the applicant happens to be living, the Nova Scotia authorities say: this pensioner because of his economic situation cannot fairly be expected to pay, if single, more than \$5 a month for rent, and if married, then \$10 per month rent, and that is the rental value of the shelter that we will charge against his income, even if he were living in a much more comfortable home than you might ordinarily visualize.

Mr. CROLL: We are not the only ones having trouble in understanding what that clause means, and it would seem that the provinces are having trouble too because they do not follow any uniform rule. Here is one which takes 5 per cent less the encumbrances in the property, and here is another which takes 4 per cent including the encumbrances in the property. So where is there to be uniformity?

Mr. KNOWLES: That is an impossible question to answer.

The CHAIRMAN: How do you expect Dr. Davidson to answer it?

By Mr. Croll:

Q. If the section is to mean anything, it ought to mean the same thing in one part of Canada as in another, because it affects us all.—A. I am only pointing out what the regulations say, and what they mean, and what the application of the regulations has been so far as the provinces are concerned.

Q. Well, are they doing what you think it means?—A. They are placing what they consider to be the rental value which the pensioner should be fairly expected to pay on his accommodation.

By Mr. Knowles:

Q. In the information given here there is no direct reference to what the provinces have done about the regulation which says that the pension authority may, in its discretion, take all or any part of the cost of maintaining such property? And when a province arrives at that 5 per cent figure, do they do so in computing that figure?—A. They take that figure in lieu of having gone through the burdensome amount of detail which they find the regulation imposed upon them. Ontario tried to do it the other way first and found it was practically impossible to get figures kept by old age pensioners as to the amount of repairs on their property during the course of a year, the taxes, and the other items of

expenditure. Therefore, they tried to work out a rule-of-thumb and they came to 4 per cent as a rule-of-thumb which would make it simpler for them to apply a formula which would be roughly equitable, having regard to the experience they went through as a result of the more involved procedures which I have described. That is what they did in Ontario.

Mr. FLEMING: Dr. Davidson, in the face of this almost infinite variety in interpretation of this and other points in reference to means, the Dominion, although its contribution may be affected, does not undertake to intervene or seek to eliminate these variations completely?

The WITNESS: We try, as I say, Mr. Fleming, at the interprovincial board meetings to get the provinces to find a common denominator, but we do not say to the provinces, to take the simpler case of board and lodging, that we think that all the provinces should charge \$125 a year for board and lodging as Manitoba does, or that all the provinces should charge \$360 a year as the Yukon Territory does. We try to find out whether there is a greater degree of uniformity that we can achieve among the provinces on this, but I must say that we usually find that when the provinces come to the meetings they feel that they have worked out the system that works best in their province and that they like their system better than the system of other provinces. Consequently they usually wind up by going home, and deciding that, after all, the formula that they have worked out, serves their province best, and they continue along that line.

Mr. FLEMING: Is the persuasion that the Dominion tries at those conferences with the provinces in the interest of uniformity?

The WITNESS: I would say, yes. In the very important question of the pension year versus the calendar year you will find an illustration of that where we have tried to get them to operate on a uniform basis.

Mr. FLEMING: We have tried the same thing on those other points, too, relating to ownership of real estate, personal property and board and lodging?

The WITNESS: I must say on the question of board and lodging, in terms of my experience in the few interprovincial board meetings at which I have been present, that question has not arisen. In terms of the second point relating to the valuation to be placed on property, that was reviewed in 1946 and this was the formula that was worked out as a uniform formula. Before that there was a uniform five per cent across the board provided in the regulations but the result has been less uniformity than there was before.

Mr. BROWN: It amounts to about this that under our constitution pensions are in the jurisdiction of the provincial authority so that when they make up their minds as to what they want, we merely make a contribution to them, if we, of course, consider that they are acting under the constitution. When they have exercised their rights under the constitution we merely make the contribution to them. With that juggled around we try to get some kind of uniformity throughout the provinces. Is that not about it?

The WITNESS: That is about it, Mr. Brown. If we say in a regulation that an amount shall be charged which in the opinion of the provincial pension authorities is a fair and reasonable amount, then, having given them that discretion we can hardly go in and say, "we will not allow you to charge that particular amount, you will have to charge more than that." It may be argued that it would be preferable to have the Dominion regulations stipulate exactly how much shall be charged for room and board and how much shall be charged, say a flat five per cent, for example, on property used as a home; and if the federal authority had the sole right to make regulations and impose those regulations willy nilly on the provinces the federal government might conceivably do that. But as I pointed out this morning these regulations can only be applied in the provinces under the Old Age Pensions Act, section 19 (2), if

the provinces agree that they shall apply them, and that is what brings us to the point where we have to work with the provinces in the interprovincial board meetings and try to get agreement on a specific regulation and then try to see that that is applied in the provinces.

Mr. LAING: Would it be unfair to state that in this Act we have an Act initiated by the federal authority, sustained by them, but qualified by provincial interpretation of the regulations; is that an unfair statement?

The WITNESS: I do not think it is unfair, Mr. Chairman, and some of the points that I have thought fit to bring in here are to illustrate the degree to which genuine discretion now rests with the provinces and the effects of that on the actual calculations themselves.

Mr. BENIDICKSON: On this question of uniformity I must confess that when we were interrupted by the division bell I was inclined to be rather critical of the federal administration for not insisting on more uniformity than was evidenced by, for instance, Chart "D", but since then it has occurred to me that the result of any strong efforts on the part of the central government to insist on rigidity in these matters would probably mean that we would, for instance, find it easier to bring the standard allowance for board and shelter, we will say, in one of the lower rate provinces up to the ones that are higher, and I have just changed my views as to whether or not there should be too much uniformity. In other words, it may be to the advantage of the pensioner to have the interpretations rather competitive among the nine or ten units who decide on these things.

Mr. CROLL: Just one question. Can you say now, Dr. Davidson, if you know of one aspect with respect to old age pensions that is uniform.

The WITNESS: Yes.

The CHAIRMAN: The age.

The WITNESS: There are certain aspects which are written into the regulations.

Mr. CROLL: So far we have dealt with room and board, that is not uniform; assessments, which is not uniform; and the amount of pension is not uniform. We have all these various aspects and I think all we can agree on is that the item of age is the only one which is uniform. Is that not correct?

The WITNESS: No.

The CHAIRMAN: There is also the maximum amount of the pension.

Mr. CROLL: That is not uniform either.

Mr. FLEMING: It is the interpretation of that.

The CHAIRMAN: That is a limit of \$40.

The WITNESS: Might I interrupt for a moment?

The CHAIRMAN: Yes.

The WITNESS: If the committee wish to depart from a discussion of this brief as we go along—

Mr. KNOWLES: I would like to ask another question.

Mr. CROLL: Just one minute. Will you keep it in mind to answer that when we reach the appropriate section in our discussion of this brief?

The WITNESS: Yes.

By Mr. Ferrie:

Q. Don't you think, Dr. Davidson, that the old age pensioner is suffering in some of the provinces on account of the inability of the provinces to finance the scheme?—A. Undoubtedly some provinces find it harder to finance their share than others.

Q. Why should that be?—A. The financial ability of the different provinces to carry any great share of the old age pension load, whether it be 10 per cent or 15 per cent or 50 per cent, differs from province to province. As an example of that we might take either Newfoundland or New Brunswick, where 70 per cent of the total population seventy and over is on old age pension, and with less favourable economic resources they are obviously less well able to pay their share of the cost of old age pensions than other more fortunately situated provinces like, for example, Ontario and British Columbia, which because of their prosperity have a smaller percentage of pensioners on the rolls.

The CHAIRMAN: We will attend to that later.

The WITNESS: I would not be prepared to say—I have no idea—as to whether or not that situation has to this date reflected itself in what Mr. Ferrie has called suffering on the part of the old age pensioner. I would say it certainly has strained or come near to straining the resources of certain provinces, such as New Brunswick and Newfoundland, to a point where they certainly have greater difficulty than other provinces in carrying their percentage load.

Mr. CROLL: On page 11 you say exactly what Mr. Ferrie is talking about.

It seems difficult to escape the conclusion that the reason for the smaller proportion of full pensioners in these provinces is attributable to the differences in the manner in which pension authorities in these provinces apply the general means-testing procedures laid down in the federal act and regulations.

The CHAIRMAN: Well, gentlemen, I wish the committee would proceed in order. We are not on page 11. It is very difficult to follow a given order, but I would appreciate it very much if the members would confine their questions and remarks to the particular subject under discussion. I am sorry to interrupt but I feel that I should insist on the rule being observed.

Mr. KNOWLES: I would like to ask a question with respect to this real property section, if that is in order.

The CHAIRMAN: Yes.

Mr. KNOWLES: A pensioner having a sum of cash is permitted to deduct \$250 if he is a single pensioner and \$500 in the case of married pensioners—

Mr. CROLL: That is not property. I object to his answering that question. That is on page 17.

The CHAIRMAN: I think your questions should be confined to real property in its relation to the old age pensioner.

By Mr. Knowles:

Q. I wanted to ask Dr. Davidson—I could have had it answered by now—for a comparison between the position of a pensioner having cash and a pensioner having real property with respect to the \$250 or \$500. I can ask it this way if it suits you better. Does a person having real property have the privilege of deducting something in the nature of \$250 for a single person or \$500 for a married couple from the value of the property?—A. The answer to that is “no,” for the simple reason that even when \$4,000 in real property is treated in this income calculation without any deduction on the basis I have described the result is uniformly more favourable to the pensioner than the \$4,000 in cash, even having deducted the \$250 or \$500, as the case may be.

Q. As a matter of fact, I took my cue from the question asked by Mr. Brown a few moments ago. It seems to me there are many cases where a person actually suffers by ownership of a home. The person owning a home can very easily be in the position of already having \$120 of other income, which

brings it down to the \$480; then, if in addition to that, he owns a home, presto there is \$60 or \$90 or \$120 cut off his pension; and that same person who owns that same real property has to pay taxes on that property, which may be another \$60, or \$90 or \$120; so that before you know it the person owning his own home is at a disadvantage compared to a person who does not own a home, to the extent of \$25 or \$30 a month when you add the upkeep, yes; but it still seems to me that what Mr. Brown says could be substantiated. Mr. Brown says the person who is thrifty enough to get to own his own home is at a disadvantage. The fact is that pensioners in my part of the country like to sell their homes and take the cash and go to British Columbia. They seem to fare better that way than by keeping up the home, paying taxes and fuel bills.

In other words, I am not exactly challenging, but I would like to have an expansion of your contention that the person who has a home is better off than the person with a corresponding amount of cash. It seems to me to be the other way around and you actually penalize the home owner.—A. The reason for the comparison is this: take two people, one who has \$4,000 worth of property—

Q. Yes?—A. —and one has \$4,000 cash. If you work out these calculations—and for this purpose you may take any province and its methods of calculating the value of the property for income purposes—I think you will find without exception that the income deduction in the case of the home owner is much less than the income deduction for the person with the \$4,000 in cash.

Q. Just as a quick rule of thumb, \$4,000 in the case of the cash would be \$3,500 when you computed it—just roughly; taking 10 per cent of it would in turn be \$350 a year or approximately \$30 a month. The \$4,000 home owner in the first place does not get the \$500 deduction. His home may be computed for this purpose as being worth \$200 a year and then he has to pay the taxes and upkeep on top of that. My point is you have to add the costs of upkeep and the amount of deduction the man suffers to get a comparison between the two people and by the time the man who owns his home suffers a deduction from his pension by virtue of home ownership, and then out of that reduced pension pays the taxes, fuel, upkeep, insurance, and all the rest, then he is not so well off.

Mr. MACINNIS: You have got to take into consideration the rent that the other man has to pay.

Mr. KNOWLES: Yes, but these things are greater than the amount the retired pensioner can get by on.

The WITNESS: I would not like to try to change your opinion—

Mr. CROLL. No one else ever has.

The WITNESS: —but I would still say that my opinion for whatever it is worth and it may be nothing, is that on the whole the home owner is charged less because of his assets, and he is in a better net position than the person with the liquid assets for the very obvious reason, that, in the case of the person with liquid assets, the annuity value assumes the eating up of that asset as the pensioner goes along but, in the other case, it is not so.

The CHAIRMAN: I might draw your attention to page 17 where you will get the annuity values.

Mr. KNOWLES: I know all about that, but may I ask Dr. Davidson if he would make a few sample comparisons and bring them along later. I have just one other question I would like to ask with respect to real property. I am staying here, even though you have jumped to page 17. Has the interprovincial committee ever discussed the possibility of removing home ownership from the means test provision of the Act.

The WITNESS: I would have to check the records of those board meetings before I could give an answer to the question. I do not recall actually whether they have discussed that proposition.

Mr. FLEMING: I would like to ask just one question of Dr. Davidson. When he made the statement regarding the more favourable position of the home owner as compared with the owner of liquid assets was it a general statement applying to all provinces?

Mr. CROLL: He said that.

The WITNESS: Yes.

Mr. BROWN: What would be the position of a home owner having a property asset of \$3,000 in an urban centre as compared with one who has a home assessed for say \$2,000 or the equivalent assessment in a rural area where the taxes are very low?

Mr. KNOWLES: The city man loses both ways.

The WITNESS: Again, it varies with the province. In some provinces they would take 5 per cent of the assessed value less encumbrances of those two properties and if the rural assessment is lower than the urban assessment, then, obviously, the amount of income that is going to be assessed against the pensioner who owns the rural home is going to be less than the amount of income assessed against the pensioner who owns the urban home.

Mr. KNOWLES: The urban man suffers the lesser deduction and pays the lesser taxes?

The WITNESS: Yes, but I would point out there is nothing in the regulation as now drafted which requires the province to use that uniform percentage means of assessing income. A province can do as Nova Scotia does, and simply say that in the case of old age pensioners generally they do not think it is reasonable to expect that those who own their own homes should be assessed more than \$5 single and \$10 married. In Nova Scotia and Newfoundland they apply that formula right across the board, regardless of the value of the property and regardless of where the property is situated—rural or urban.

Mr. BROWN: The imposition of the means test and what we are now talking about should induce a greater population of elderly people in the rural areas. In other words we are going to deplete the cities of elderly people.

The CHAIRMAN: Well Mr. Fleming?

By Mr. Fleming:

Q. This may be an extreme case, but if an individual province decided that it did not like the system of debiting against income, against permissible income and home ownership, and just said: "From now on we are going to take that in at \$1," would the dominion stand by and accept that?—A. I would have to wait until a province came forward and proposed to do that. I could not answer that question.

The CHAIRMAN: It would be a question of policy.

By Mr. Fleming:

Q. I do not know. It is a little difficult to find where the dividing line is. I agree that this is a general discussion. The dominion says: "We make the regulations, but we are not going to interpret them; and we allow the provinces the utmost latitude in interpretation." Let us suppose that a province should rise in wrath against the means test and should say, "If the dominion won't

eliminate the means test, we are going to get around it by this means, and take it in at \$1."—A. I think if they went to the extreme which you suggest, we would certainly have to consider it as a matter of policy and get direction on it. I can only point out that in the case of Nova Scotia and Newfoundland they have at least gone to the extent of saying, "We shall apply a flat assessment of \$60 in the case of a single person living in his own home, and \$120 in the case of a married couple," and we have accepted it. There is no question about it.

The CHAIRMAN: Well, it is now 6 o'clock. Tomorrow we shall go on with Dr. Davidson at 4 p.m.

The committee adjourned to meet again tomorrow, April 19, at 4 p.m.

the Senate and the House of Commons
SESSION 1950



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JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

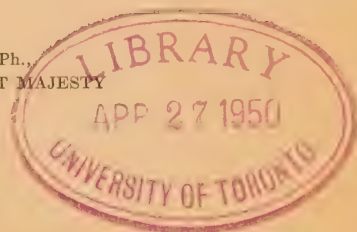
No. 3

WEDNESDAY, APRIL 19, 1950

WITNESS

Dr. G. F. Davidson, Deputy Minister of Welfare, Department of
National Health and Welfare

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950



ORDER OF REFERENCE

HOUSE OF COMMONS

WEDNESDAY, April 19, 1950.

Ordered,—That the name of Mr. Cannon be substituted for that of Mr. Gingles on the said Committee.

Attest.

LEON J. RAYMOND,
Clerk of the House.

MINUTES OF PROCEEDINGS

WEDNESDAY, April 19, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 4.00 p.m. Mr. Lesage, Joint Chairman, presided.

PRESENT:

The Senate: Honourable Senator Hurtubise.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brown (*Essex West*), Cannon, Corry, Croll, Ferrie, Fleming, Homuth, Knowles, Laing, Lesage, MacInnis, Robertson, Shaw, Smith (*Queens-Shelburne*), Weaver, Welbourn.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare, and Mr. J. W. MacFarlane, Director of Old Age Pensions.

Dr. Davidson was recalled and further examined, assisted by Mr. MacFarlane.

At 5.35 p.m., Members of the House of Commons were called in the House for a division, and the Committee adjourned until Thursday, April 20, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, April 19, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 4 p.m. Mr. J. Lesage, Joint Chairman, presided.

The CHAIRMAN: Order, gentlemen.

Mr. FERRIE: Mr. Chairman, before you go on I would like to ask a question. Is it possible for us to have yesterday's report of the proceedings of this committee in here today as we do *Hansard*? Could we not have the same service as *Hansard*?

The CHAIRMAN: No, we cannot. Priority has been given the printing of our reports. They are to follow immediately after *Hansard* has been completed. I might say that yesterday's proceedings went down to the printing bureau this morning.

Mr. FERRIE: Why not yesterday? It is no use to have the proceedings unless we have them before us now. We should have them before us so we can study the evidence.

Mr. CROLL: I do not know any purpose in getting the report immediately. What is done is done, and what was done yesterday is finished; now lets get on.

Mr. KNOWLES: If we had the report before us we would only be going over it all over again.

Mr. BROWN: No other committee gets it that way.

The CHAIRMAN: No. I have asked Mr. Cloutier, the King's Printer, personally, to have the reports available for us as soon as possible because of their value to the public, particularly those people who are to appear before us. I can only tell the committee that he has promised us the fullest co-operation in the matter.

We were at page 10 of Dr. Davidson's report and I think we had just finished with the rental problem. Will you continue Dr. Davidson.

Dr. G. F. Davidson, Deputy Minister of Welfare, recalled:

The WITNESS: We were on the rental problem.

The CHAIRMAN: Yes, we were on the second paragraph.

The WITNESS: Mr. Chairman, before we go into the rest of the text perhaps I might be permitted to draw the attention of members of the committee to this chart which has been distributed. It is simply a graphic presentation of the data shown in table form in chart "A" of the memorandum now before you, showing the value of maximum pension payable and maximum income allowable from time to time in relation to changes in the cost-of-living index, since 1927.

Mr. KNOWLES: This is dollars per month?

The WITNESS: No, the side is dollars per month.

Mr. KNOWLES: I am a little puzzled when I compare these figures given in the chart with those on chart "A". If you will look at the right-hand column, the figure opposite 1950 is \$443.80 and the figure opposite 1933 is \$463.59; clearly the figure for 1950 is below that of 1933 while on the chart the figures for 1950 are shown as being above those of 1933.

The WITNESS: Mr. Chairman, it occurs to me that it might be better to withdraw this chart completely rather than to delay the committee by getting into a discussion as to its accuracy. It was really intended to present to you in graphic form the same information as is contained in chart "A" in the memorandum. It certainly was not intended to convey any different impression.

Mr. CROLL: All right.

Mr. FLEMING: What purpose is it intended to serve?

The WITNESS: A graphic portrayal of the same information as was contained in chart "A" in the text.

Mr. FLEMING: That is pretty clear.

The CHAIRMAN: All right; the graph will be withdrawn.

The WITNESS: I think, Mr. Chairman, we have practically completed our discussion of income from real property used as a home. Should we then go on to the middle of page 10 which simply mentions, without going into detail, another area in which this same variability as between the provinces exists; that is in relation to the valuations placed upon income derived from board and lodging paid to a pensioner who may be renting rooms or providing board and lodging as an operator of a rooming house. The differences there are differences of detail. They are somewhat involved and I therefore hesitated to put them into this memorandum since they serve only to emphasize again the general point that has been made in the preceding sections in relation to this question of assessing certain types of income.

Having mentioned that, probably I should go on to the end of the page, and to the table which follows on the next page.

By Mr. Fleming:

Q. Dr. Davidson, I do not want to repeat anything that was said yesterday and if you already covered the point I am about to mention I will just leave it there. I just want to speak in relation to the last sentence of that paragraph in which you say that a certain amount of flexibility of this kind is not only desirable but necessary. It may be only for the purpose of emphasis, but you have not cleared in my mind the full impact of that statement. Is there anything else you have to add to what you said yesterday in respect to what you say there in regard to the desirability of flexibility as between the different provinces or areas of the country?—A. I do not think so, Mr. Fleming, except that perhaps I should add in connection with what I said yesterday, that this refers to a plan which is operated as a joint dominion-provincial scheme, under joint responsibility.

Mr. LAING: And it is qualified thereby?

The WITNESS: Yes.

By Mr. Fleming:

Q. Suppose you had same change in the fundamental basis of the system, are you still prepared to argue for this principle of desirability of flexibility?—A. That I think poses an entirely different set of questions, and I endeavoured to make that point clear in the record yesterday.

Q. Shall we have an opportunity some time of getting a statement from you as to the operation of any other system; as to how it will bear on this question of variation in different parts of the country?

The CHAIRMAN: When we study the other systems, of course.

Mr. FLEMING: I would think it would be shorter if we had it now, Mr. Chairman.

The CHAIRMAN: We will surely have an opportunity of discussing it with Dr. Davidson and Mr. Willard, the Director of Research, after we have looked over the systems in use in other countries.

Mr. FLEMING: I do not want to press the point. Perhaps at some other time Dr. Davidson will reach some point as he goes on which will afford him an opportunity of dealing with that question. I think it is very important.

The CHAIRMAN: We would have to decide in the steering committee what we are going to do about that, as well as other matters. We are now trying to go along and finish the program as it was set up by the steering committee.

Mr. KNOWLES: I take it, Mr. Chairman, that what we are doing now is looking at what is.

The CHAIRMAN: Yes, that is correct.

Mr. KNOWLES: Both here and in other places.

The CHAIRMAN: Yes.

Mr. KNOWLES: And when the time comes when we have finished with our survey of that material we will have an opportunity of discussing everything involved with Dr. Davidson?

The CHAIRMAN: Of course, and the steering committee will meet to decide that. We have set up a general program for the balance of the session, and then we have set up a specific program for the coming two weeks. After that the steering committee will meet to decide what will be the program for us to proceed with after our present two weeks' program has been dealt with. If we decide to go on and study any other program we will surely have an opportunity of having Dr. Davidson before us to give his advice and opinions on the various matters which will come up.

The WITNESS: I think, Mr. Chairman, we could meet Mr. Fleming's point if in the latter stage of the committee's work we were to deal with this question of regional differentials as against flat amounts across the board; but I think I should point out, as I think I suggested yesterday, that this question of flat rate versus regional differentials is really for the committee to decide in its own mind, having weighed the pros and cons. Am I wrong in that?

The CHAIRMAN: No, you are right.

Mr. FLEMING: Those are the two approaches I want cleared up—you can have the two approaches in this same underlying system of dominion-provincial participation. I wonder if there is some alternative underlying general principle or system to which these two approaches also can be related. That is all. I have made my point. We can come back to that.

The WITNESS: The only point I am trying to make is that I doubt whether it is advisable for me to express a personal opinion as to which I think is desirable.

Mr. FLEMING: I am not asking your opinion on matters of policy.

The WITNESS: I think that is for the committee to decide.

Mr. FLEMING: Just give us evidence on that which will bear on our opinion as to which would be the proper course.

The WITNESS: Might I then direct the attention of the committee to chart "E", which shows, as a result of all these minor variations which lie within provincial administration, the net result in terms of the average pension paid from time to time in the different provinces. There is a variation, as the members of the committee will see, from a low in Newfoundland as of December 31st, 1949, of 29.19, based on a maximum pension of \$30, to a high of \$39.68 in the Northwest Territories based on a maximum of \$40. And as I point out in the text of the document, if you eliminate Newfoundland from the group, because it had a lower maximum pension at the date on which this figure applies,

and if you eliminate the Northwest Territories at the other extreme because of the extremely small number of pensions in the Northwest Territories, you will find that as far as the provinces generally are concerned, those which have been in the scheme for some time, the range is a very narrow one; from a low in Prince Edward Island of \$34.46 to a high in Manitoba of \$38.86. I think it does indicate not only that the average of pensions paid in all the provinces clusters fairly closely around a common amount but also that the average pensions paid in all the provinces are surprisingly close to each other and to the maximum view of all the variabilities we have discussed.

When these averages are viewed against the background of the provincial variations I have described the indications are, first of all, that these variations at the provincial level cancel one another out; and also it is clearly shown by these figures and by the chart following on page 11 that the bulk of pensioners have resources insufficient, to affect their entitlement to full pension.

Mr. CROLL: I see what you mean. May I ask you one question arising out of this? This chart indicates to me one more thing and I wondered if it indicated the same thing to you, that in all of what I call the poorer provinces—defined as having the average lower than it is in the richer provinces—

The WITNESS: By the poorer provinces you would mean perhaps the maritime provinces?

Mr. CROLL: Yes, that is what I mean.

Mr. KNOWLES: The maritimes should be in a group by themselves as distinct from the other six provinces, because if you take the provinces from Quebec through to British Columbia the variation is greater; the lowest in British Columbia is 37.26 and the highest is in Manitoba, 38.30; all the others are in between. Then, you take the three maritime provinces—forgetting Newfoundland for the moment—and they are the lower figures; they are the people who are the poorest.

By Mr. Croll:

Q. We are just helping one another here. Let me carry you back to chart C, for a minute. If you look at chart C you will note that the largest increases in the percentage of population over seventy are also in the three maritime provinces. What observation could you make which would be helpful to us in respect of relating these charts—and I do want to put in chart F, because I think it has a direct bearing. Chart F bears out my contention or indicates that in New Brunswick and the maritime provinces recoveries from estates are very small—almost nil. Would you care to make some observation which would be helpful to us with respect to that general picture?—A. I think, Mr. Chairman, that the only observation I could make—other than the fact that these tables do tie up in the manner you have suggested—would be to refer to what you pointed out yesterday at the bottom of page 11 and the top of page 12, where I say “It seems difficult to escape the conclusion that the reason for the smaller proportion of full pensioners in these provinces is attributable to the differences in the manner in which pension authorities in these provinces apply the general means-testing procedures laid down in the federal Act and regulations”.

Certainly there is nothing to be found in the evidence given in chart F on recoveries from estates to suggest pensioners in the maritime provinces have larger estates than elsewhere. That, in fact, is shown to be otherwise from the records of collections from the estates, if the figures can be taken as an indication. There is also evidence in chart C to which Mr. Croll refers that the percentage of pensioners to the population over seventy is considerably higher in the maritime provinces than elsewhere.

Q. Would you carry it just one step further and take a look at page 11 and the chart there? You will note the percentage of old age pensioners receiving the maximum pension is very low in Prince Edward Island—38 per cent; Nova Scotia has a figure of 34·2 per cent; New Brunswick has a figure of 46·7 per cent. All the rest of them are above 80 per cent—

Mr. KNOWLES: Above 70 per cent.

By Mr. Croll:

Q. Yes, 70 per cent—with an average of 75 per cent?—A. In that connection, without altering your argument at all, I would point out that we should perhaps be a little more cautious than usual with this tabulation on page 11 because it dates back to September of 1949. We made an actual case count in Nova Scotia—where we had reason to believe the figure for full pensioners in pay as of September 1949 was abnormally low. As the footnote shows, Nova Scotia by the end of September 1949 had not completed its adjustment of all pensions as a result of the increase to \$40 in 1949, and the figure for Nova Scotia as of March 1949 shows 46·5 per cent of pensioners on full pension.

Q. Suppose we make it 50 per cent; it is still lower than the other provinces?—A. I am not denying that, but I think it should be put on the record.

Q. Yes, but in the light of all these charts you have presented to us, is that the only observation you think would be a fitting one—the one that you have read into the record from the bottom of page 11—is that the only comment that would be helpful to us?—A. I come back again to the statement I made yesterday in reply to Mr. Ferrie's question, which, I think, is the point you are aiming at—there do seem to be indications here of the effect of an abnormally heavy burden on some provinces which are economically less well situated than others. It is perhaps—

Mr. HOMUTH: Is there no official guidance given—

The CHAIRMAN: I am sorry, Mr. Homuth—

Mr. CROLL: I am getting an answer to my question now.

Mr. HOMUTH: Well—

The CHAIRMAN: Mr. Homuth, would you please wait one minute? It was arranged that each member would have his turn at questioning. Mr. Croll was questioning Dr. Davidson and—

Mr. HOMUTH: I am just trying to clarify this.

The CHAIRMAN: It is possible to do that afterwards.

Mr. HOMUTH: I was trying to clarify what Mr. Croll was asking.

The CHAIRMAN: We arranged the procedure yesterday and I wish to adhere to the system. I do not intend that we should go on.

Mr. HOMUTH: Never mind any of that stuff here—what I say is this—

The CHAIRMAN: Please find out when your turn comes.

Mr. HOMUTH: Is there no guidance from Ottawa as to how the means test is manoeuvred in the various provinces?

The CHAIRMAN: We went over all that yesterday—carry on Doctor.

Mr. HOMUTH: Do not think that you are running this—

The CHAIRMAN: I am not running it, but I am here to keep order and I intend to keep order. Order, please.

Mr. HOMUTH: Well—

Mr. BROWN: I think the chairman has the support of the committee.

Mr. HOMUTH: He naturally would with all these Liberals on it.

The WITNESS: I do not know whether I heard Mr. Croll say that I had answered his question.

By Mr. Croll:

Q. I do not think you finished.—A. The point I made yesterday, and the point I make again in relation to these figures is one which I think is clear to the members. In some provinces like the maritime provinces you have a situation where you know as fact number one that the province is less well off economically than other provinces; you know as fact number two from chart C that their burden in terms of numbers of pensioners in relation to the total population of 70 and over is higher than other provinces which are better situated. Therefore you have every reason to infer from that that the financial burden of those provinces in carrying their 25% share of a flat pension rate across the board is heavier than in other provinces such as British Columbia and Ontario.

I do not think it is safe to go beyond that in saying whether or not provinces are absorbing that strain in their over-all financial budgets or whether they are reflecting the strain in more severe means-testing procedure in respect of individual pensioners. To that I would only add the comment I have already read from my document at the bottom of page 11 and the top of page 12.

Q. May I just add, in substantiation of that argument that the proof is in chart F, where it shows that when old age pensioners die there is just not enough left of their estates.—A. I have already referred to that.

Mr. SMITH: May I just follow the point made by Mr. Croll. I happen to be from Nova Scotia and I may be able to help. I would point out that Nova Scotia is one of the oldest provinces and there are a great many old, old, homes which have been handed down for many, many generations. The people who are drawing pensions, in a great many cases, are likely to be living in those old homes. Therefore, they have some of the pensions taken off because of the shelter. Secondly, their sons grow up to be fishermen or small farmers and they live with the parents. As the parents become older the sons and daughters are providing the food and shelter. I think that is an important factor in the administration of the means test in relation to the amount of money that the Nova Scotia government wants to spend on old age pensions.

The CHAIRMAN: I would like to give the floor to Mr. Homuth now.

Mr. HOMUTH: You let the Nova Scotia man say what he wanted without any interruption.

The CHAIRMAN: If you want the floor now, Mr. Homuth, it is yours.

Mr. HOMUTH: Doctor, I wanted to ask you where there is a difference in the administration of the means test as between provinces, is there not any guidance from Ottawa as to how the administration should be carried out?

The WITNESS: Yes, sir.

Mr. BROWN: We covered all that very fully yesterday.

The CHAIRMAN: Mr. Homuth, may I point out that we discussed that point for three hours yesterday.

By Mr. Homuth:

Q. I know, but what I am getting at is this. The money that you get back as a result of your means test—does that go to the provincial government?—A. It does not come back because it is not paid out.

Q. You are correct, but when a person dies and there is an estate, does that come back to the federal government or the provincial?—A. It comes back to the federal government and to the provincial government both, in the proportion to which they contribute.

Q. So that you do not definitely say that "You must do this," to the provincial administration?—A. We say definitely, in our regulations—which are drawn up as I explained yesterday on the basis of interprovincial board meetings—that there are certain principles which must be followed. As to the detailed way in which those principles are applied in each province there is, as already indicated in the report, a certain amount of variation. When you come to the case which you have mentioned—which we have not come to yet—recoveries of estates of deceased pensioners, I think you will get a complete illustration of the point. There are certain general principles laid down by the federal government and certain ways in which the provinces elect to apply those principles.

Q. There are variations?—A. Yes, sir.

By Mr. Laing:

Q. I wonder if Dr. Davidson would care to comment on the words "in outlook" on page 10?—A. It is difficult, in a document of this kind to avoid a little editorializing, and I am afraid I have been guilty of it with respect to that phrase. I would say to Mr. Laing that if he had the opportunity to meet the various provincial administrative authorities he would, I think, recognize what I mean by that; there is a difference of outlook on the part of administrative authorities in the different provinces.

Q. Does not that explain some of the matters we have been discussing?—A. I think it contributes to them, yes. I might add one other bit of evidence, which, in this case, applies to the province of Nova Scotia. There is another factor which undoubtedly affects this situation we are discussing and that is the general community level of living. I point out, for example, that in the Nova Scotia annual report of old age pensions for 1948, on page 12, there is a table showing under the heading "Material Living Conditions": (a) average (for community) 2,327 pensioners; (b) above average (for community) 194; (c) below average (for community) 998. Total, 3,519.

These figures relate to new pensioners admitted to the rolls for the first time in the fiscal year ending November 30, 1948.

I think you will get there another indication as to one of the intangible factors that enters into the administration of pensions as between various provinces.

By Mr. Knowles:

Q. If it were not for the differences we have noted in outlook and financial capacity of the various provincial governments, would it be fair to say that you would expect in provinces where people are economically poorer that the means test would result in their getting higher pensions?—A. I would say yes, sir, unless you take into account the factors such as I have mentioned here, the relationship of the level of living of the pensioner group to the average level of living of the community itself.

The CHAIRMAN: A greater number of pensioners but not necessarily a greater amount of pensions.

Mr. KNOWLES: All that it does is to underline the effect of the differences in outlook of the federal and the provincial governments with respect to poverty and the old age pensioners themselves. They are the ones who suffer.

Mr. BENEDICKSON: There are very specific differences in the regulations. For example, there is the wide difference with respect to the allowance for shelter and board. That made a difference, as between Manitoba and Ontario, of \$14.58 per month on that one method of calculation.

Mr. KNOWLES: You cannot blame poverty in Ontario for that.

By Mr. Benidickson:

Q. No. This regulation does not standardize. As I pointed out yesterday, insistence upon standardization might not be helpful.—A. I think that if the committee wishes it, we could produce a more up-to-date table to replace that table on page 11. It is a fairly significant table and I think perhaps we could get more up-to-date figures for the committee.

The CHAIRMAN: That would be convenient.

The WITNESS: We now turn to the question of "Recoveries from Estates of Deceased Pensioners", and the section which deals with this question points out, first of all, the basic federal law and policy on this matter; secondly, the way in which that basic policy and law is applied with variations in the provinces.

There are three points to be taken into account. One is that the federal Act provides that there shall be included in each agreement drawn up with a province an undertaking on the part of the province to give the necessary power to its pension authority to recover, in certain circumstances, pension payments from the estate of a deceased pensioner. And the province, having given that undertaking, has to act in such a way as to endow its pension authority with the right to recover from the estate. They usually proceed either by including a specific section in their Act, or else covering it in a regulation passed under their Act.

In the light of that background, the federal Act goes on to specify certain circumstances under which the claim for recovery shall not be made; and there are two sets of circumstances under which the federal Act requires the provincial pension authority to undertake that it won't recover from the estate of the deceased pensioner:

First of all, if the estate of the deceased pensioner passes by will or upon intestacy to another pensioner, whether that pensioner be a wife or husband of the deceased pensioner, or any other person on old age pension; in those circumstances no claim is made against the estate.

Secondly, if the estate—and here, I think, I should use the exact words of the legislation—

...if the estate passes by will or on an intestacy to any person who has, since the grant of pension to the deceased or for the last three years during which such pension has continued to be paid, regularly contributed to the support of the pensioner by the payment of money or otherwise to an extent which, having regard to the means of the person so having contributed, is considered by the pension authority to be reasonable.

Perhaps the committee would permit me to read the actual text of the next paragraph:

These are important provisions, the full significance of which has not generally been understood. If a man and his wife are both on pension, no claim is permitted against the estate of either one until the death of both, and then the claim is limited to the pension payments made in respect to the spouse who is the last to die. If a man is on pension, with a younger wife who is not on pension or children or other persons who have taken care of him or contributed to his support to a reasonable extent and for a reasonable period of time prior to his death, the estate of the pensioner is likewise exempt from any claim of any kind under the federal law and the agreements with the provinces. The full discretion as to the determination of the meaning of "reasonable support" is left with the provincial pension authority, except that the federal law clearly specifies that the support given may be "by the payment of money or otherwise". In other words, a wife or daughter who

has kept house for an aged pensioner can be considered to have "contributed" to his support just as if contribution in money had been paid.

May I go on to add a third item to this list of circumstances under which, from the federal point of view, no claim against the estate need be made. I make the distinction here that in the first two examples which I cited the federal law in effect forbids a claim to be made against the estate. But this third provision is contained only in the agreement made with the provinces whereby the federal government offers to waive its share of a claim against any estate of a deceased pensioner which is less than \$2,000 in value, or the first \$2,000 of any estate on condition that the provincial pension authority, in its discretion, decides that the claim should be waived, and on condition that the provincial authority waives its 25 per cent of the claim.

This provision includes two groups. First of all there is the first \$2,000 of any estate; and secondly, estates under \$2,000 in value. But this is something which is a matter of discretion with the provincial pension authority; and what the province in its agreement undertakes to do is to endue its pension authority with the discretion to decide in which cases it will decide to waive these claims, and in which cases it will not.

By Mr. Homuth.

Q. Do all the provinces do this?—A. No, they do not.

Q. Well, can you give me some of the provinces which do not?—A. I could, if the committee wishes me to do so, but I am very anxious not to make any unfavourable comparisons between provinces.

Q. But you say there are some provinces which do not?—A. That is correct.

Q. All right.—A. And it is stated in the next paragraph, if I might, perhaps, go on:

It is not surprising, in the light of these provisions, that despite widespread fears and misconceptions on the part of pensioners generally as to the probability of claims being made against their estates, the number of claims actually lodged, and the amounts recovered from the estates of deceased pensioners are very small.

Then I refer the committee to chart F which is self-explanatory, and which, I think, is a direct answer to Mr. Homuth, with respect to one of the questions he raised in his list on April 3.

Chart F shows the dollar amount collected from the different estates in the different provinces from the year 1941-42 down to and including the year 1948-49. And that relates, in turn, to the table shown on page 13 where I have stated in percentage terms, the relationship between the amounts recovered from the estates, and the total pension payments made in a given year.

By Mr. MacInnis:

Q. Are there any provinces where the pension authority insists upon a lien being placed upon the property before the pension is granted?—A. That comes up on page 14 and will be my next point.

By Mr. Knowles:

Q. Before you get away from this \$2,000 item, let me me say that I am glad the provision is there. I remember very well when it was first made because I had something to do with the asking for it. It was made, as I recall it, by Mr. Ilsley who was then the Minister of Finance writing letters to the

various provinces and telling the provinces that the federal government had come to the conclusion that this was to be done. And it was most welcome.

And I remember at the time wondering how it was that the federal government could arrive at that figure, because the Act said then, and it still says, that an agreement made pursuant to section 3 of this Act shall include an undertaking by the province that the pension authority will be authorized to recover out of the estate of any deceased pensioner, as a debt due by the pensioner, the sum of the pensions paid, and so on.

There is nothing in that section of the Act which would seem to give to either the federal or the provincial government the right to waive that claim. And the question which arose in my mind, when Mr. Ilsley wrote those letters to the provinces, was that if the government had the right to waive part of it, surely they had the right to waive all of it, or to waive a greater amount than \$2,000.

I would contend that there should not be any attachment to property at all, and my point is this: that property values have gone up considerably since that \$2,000 figure was arrived at, let us say in 1943 or 1944. Which year was it?—A. 1944, I think.

Q. I wonder if any thought has been given to raising that figure to a higher amount consonant with the increased values in homes?—A. I think I can only answer your question by saying that under this Act, as amended in 1947, the section to which you refer, Mr. Knowles, was amended in some respects so that the wording is not the same as it was when Mr. Ilsley originally wrote his letters to the provinces.

At the time the amendment was made in 1947 we then proceeded to negotiate new agreements with the provinces and at that time we put into our legal agreement with the provinces this provision, the terms of which I shall read to you shortly.

It is pretty clear then that at that time consideration was given to this question and that the decision as of 1947 was that the limit should be kept at \$2,000 as it had been since 1944. I cannot say that any consideration—I mean any detailed consideration—has been given to the altering of that amount since 1947 for the reason, among others, that, to the best of my knowledge we have never had any representations from the provinces that any of them would like to see this amount increased.

Q. You may not have had representations from the provinces, but certainly we get representations from individuals. And the reason I raise the point is not so much the question of what is going to happen to the property if the pensioner dies, but rather the question that many people are deterred from going on pension because of the fact that a lien has to be placed on their homes.—A. That is not quite correct in all the provinces, by any means, and it is not required by the federal Act or regulations.

Q. What is that again, I do not get the point?—A. The point is that not all the provinces apply liens.

Q. I know it is pretty complicated. I know, for example, that in Manitoba they apply a lien, but the purpose of it is to ensure that the property will not be sold without the knowledge of the pension board; and it is also clear that in Manitoba no collections are now made on estates which are less than \$2,000 in value.—A. My point is that in some provinces liens are not placed on property even in a precautionary way.

Q. I do not think the precaution is a deterrent but rather the liens upon which collections can be made and if that figure can be raised to \$3,000, many people whose homes were of \$2,000 in value several years ago would now be in the clear.

The CHAIRMAN: Surely, and some others would not.

Mr. KNOWLES: Oh, yes, I would take them in altogether, but we are dealing with a liberal government.

Mr. MACINNIS: My understanding is that in British Columbia not only is no lien placed on the property but the law specifically prevents any lien being placed on the property. That is what I have been informed.

Mr. KNOWLES: Up to \$2,000.

Mr. MACINNIS: Any property.

The WITNESS: We are discussing two things.

Mr. CROLL: It occurs to me that Saskatchewan is one of the provinces requiring a lien to be placed. I just noticed that on page 14.

Mr. SHAW: In determining the property value do all provinces use the assessed values of those properties?

The WITNESS: Some of the provinces use the assessed value, or the equitable value as determined by them.

By Mr. Brown:

Q. On page 12 you write the federal Act stipulates that in certain circumstances claims against the estate of deceased pensioners are to be waived and you give as (b) if the estate passes by will or otherwise. Does that mean that if any person, a relative of the deceased, who was a pensioner, was living with the pensioner and contributing to the pensioner's support that that claim of the old age pension authority is waived as against the property and as against the estate? Is that the case in Ontario?—A. If, in the opinion of the pension authority that person has regularly contributed to an extent, which having regard to the means of the person having so contributed, is considered reasonable. That has to be for the last three years or since the grant of the pension to the deceased. Those words are taken from the federal act.

Q. I am thinking of some cases that have come to my personal knowledge, where they have collected. The daughter was living, and the daughter's husband was living with the pensioner, the pensioner died and the Ontario government collected.

Mr. CROLL: There has been probably no claim put forward or they would not collect. That is what happens in each case. If a claim is put forward for support in view of that they will not collect. If no claim is put forward they will collect. That is the practice in Ontario.

The CHAIRMAN: It is up to the person who has given support to give evidence of what support has been given.

Mr. BROWN: I am not going to go further into the individual case.

Mr. FERRIE: Does not every province in the dominion file a caveat against all real property of the pensioner?

The WITNESS: No, sir.

The CHAIRMAN: That comes later, Mr. Ferrie, on page 14.

Mr. SHAW: Mr. Chairman, while I think of it, can Dr. Davidson supply each of us with a copy of the application form used in each province? Can you acquire those?

The WITNESS: We will have to obtain those, Mr. Shaw, from the provincial authorities.

Mr. SHAW: But could that be done?

The CHAIRMAN: I will ask Mr. Arsenault to write to the pension authority in each province and ask for a supply of form.

By Mr. Knowles:

Q. May I ask Dr. Davidson one further question? In a province like British Columbia, where my colleague tells me no lien is placed in any case, what happens to the portion of the estate in excess of \$2,000 in the case of a pensioner who dies in British Columbia? Does British Columbia make a claim?—A. Yes, subject to the exceptions provided in Section 9(2) of the Act.

Q. In other words, no lien is placed against the property in British Columbia but the effect financially is the same as in Manitoba where a lien is placed? —A. There is a difference.

Q. Well, how do they get it?

Mr. MACINNIS: Well, the province is a preferred creditor.

The WITNESS: It is not inconceivable that a property, part of an estate, may have been disposed of in the meantime.

Mr. CROLL: And often is.

By Mr. Homuth:

Q. Is it the situation that we have an old age pension law in Canada which does not become operative in a province until that province passes enabling legislation?—A. Yes.

Q. Then, when they pass enabling legislation, that dominion act becomes law in the provinces, so that while they may not put a lien on a property the very fact that they enact the law is in itself automatically a lien against the property, is it not?—A. No, sir.

Q. Doctor, let us get this clear? Under the Dominion Act you have the claim against a pensioner's property, haven't you?—A. Strictly speaking, no.

Q. You have not?—A. No, because the wording says that an agreement made with a province pursuant to section 3 of this Act, shall include an undertaking by the province that the pension authority will be authorized to recover out of the estate of the deceased pensioner. The claim therefore is not actually established by the dominion law. It may be a technical point but it is nevertheless true. The claim is not established by the dominion law, as I understand it, the claim is established by a province taking action in pursuance of an undertaking they have already entered into with the federal authority. But that action is taken under provincial and not under federal law.

Q. It depends entirely on the wording of the provincial Act—the enabling Act? It would depend entirely on the words of the enabling Act in that province as to whether or not a claim is made, is that right?—A. Yes, except that the federal Act does go on to prescribe somewhat the circumstances under which the province must give its undertaking. Do you follow me? In other words, the province cannot say “yes, we undertake to recover from the estates of deceased pensioners”. They have to say “we agree to recover from the estate of deceased pensioners in the terms that are required by the dominion legislation”, and that involves waiving the claims against certain estates.

Q. Would that legislation not have to be passed on by Ottawa before it becomes a provincial Act?—A. No, sir.

Q. It would not?—A. No, sir.

Q. So that some provinces pass legislation to permit them to make a claim and other provinces do not do that at all?

The CHAIRMAN: It is not in all cases legislation. It is done by orders in council, regulations.

Mr. CANNON: Let us put it this way, Mr. Chairman. All the provinces have a claim but only the provinces who have a lien have security for that claim. Is that not it?

The WITNESS: That is about it, sir.

By Mr. Knowles:

Q. In some provinces the pensioner cannot sell his property without the consent of the board, and I know it is granted many times?—A. Yes.

Q. And in some other provinces a pensioner can sell his house?—A. Yes. We are getting a long way from the point raised by Mr. Knowles that I did want to come back to, when he asked under what authority this decision could have been taken; under what authority it was possible for the dominion to say: we are willing to waive claims against estates up to \$2,000. If you had gone to another line in section 9 (2), I think you would see the words that deal with this point, Mr. Knowles. Section 9 (2) reads "an agreement made with a province shall include an undertaking to recover out of the estate of the deceased pensioner" and so on. Then we come to the words "and such agreement shall specify the circumstances under which recovery of such debt shall be made." Now, the circumstances under which recovery of the debt shall be made may include the circumstance that the estate must be over a certain amount; otherwise, it will not be made. It was through that authority that this provision was entered into, and it was confirmed in the agreement with the provinces. Perhaps I should read into the text the actual wording of the agreement.

MR. KNOWLES: I am glad that was done.

THE WITNESS: "The province will in accordance with and subject to the provisions of sub-section 2 of section 9 of the Dominion Act, as amended, authorize the pension authority to recover out of the estate of any deceased pensioner the sum of the pension payments made to such pensioner from time to time, provided, however, that the pension authority may in its discretion decide that no claim shall be made in any case where the net value of the pensioner's estate does not exceed \$2,000, or if the net value does exceed \$2,000 that claim will be made only against the amount of such estate in excess of the sum of \$2,000."

By Mr. Knowles:

Q. That clause is in every agreement, is it not?—A. That is right.

Q. But it is clear that is a permissive kind of clause and you have indicated that some provinces take advantage of it and some do not?—A. Yes.

MR. ASHBOURNE: Mr. Chairman, I notice that in the last figure in the statement, for 1948-1949, the total pension payments amount to \$85,642,948, and recoveries from estates for the same period amount to \$428,173, which is a little less than one half of one per cent. What I would like to know is: is that the gross value of the estates or the net value of the estates, and what is the cost of administrating those estates or getting letters of probate?

THE WITNESS: Mr. Chairman, that is the amount recovered, it has no relationship at all to the total value of the estates against which claims were made. Is that point quite clear, Mr. Ashbourne?

MR. ASHBOURNE: Yes.

THE WITNESS: Secondly, on the question of administration costs we have no knowledge regarding the cost of administration in respect to recovery from estates because that is handled entirely by the provincial governments.

MR. FLEMING: That raises another point, Mr. Chairman, different to what we have been on. This chart takes the figures down only to the year 1948-1949 in the matter of recoveries and nothing has been said up to now in our proceedings about bonuses paid by the provinces on top of the basic pension nor about other benefits provided by the provinces such as medicine and some forms of hospital benefit in certain cases. Is it not a fact that the provision of these benefits,

whether by way of cash bonus, or benefits in other forms, is going to have a pronounced effect on the recoveries because these benefits are going to reflect themselves in greater sums of money claimed from the estates eventually.

Mr. FERRIE: Mr. Chairman,—

The CHAIRMAN: There is a question before the chair, Mr. Ferrie.

The WITNESS: Theoretically, I think that is true, Mr. Fleming. I think it is drawing a pretty fine point, though.

By Mr. Fleming:

Q. You cannot do much on this statement about it because you do not bring it down to the present time, you miss the last year. I was just wondering about the addition of these provincial bonuses.—A. These provincial bonuses have been in effect much more prevalently prior to this last year than they are now.

Q. Yes, we have had some substantial ones in 1949. I will admit it will not be a very big figure, it is more the theory of it.—A. I doubt very much whether there could be obtained any figures to bear on your point at all, Mr. Fleming. I would merely point out that the totals on page 13 do show that during these years when bonuses were paid our recoveries have been diminished. That is not of course because bonuses were paid. It is because certain changes were made in the policy respecting recoveries. For example, it was in 1944 that the federal authority offered to waive its claims against the first \$2,000 of any estate, and that, I think, does reflect itself to some degree in the rather considerable drop shown there in the percentage of recoveries. We also, in 1947, abolished the provision that was written into the Act, that allowed the pension authority to charge five per cent interest compounded annually on the debt. In those steps we have diminished considerably, I think, the extent to which we try now to recover from the estates of deceased pensioners. Therefore, in view of that diminished attempt to recover I would question, myself, whether the payment of the provincial bonuses has improved our collection position in any significant extent.

Q. May I ask if at some stage you are going to round out the information already given by supplying information, if you have it, about those additional benefits and bonuses paid by the provinces? Does your department concern itself with that?—A. We have information, Mr. Chairman, on that, but I am quite in the hands of the committee on that. We can bring it forward if the committee wishes, but I have not included it in here because officially from the federal point of view it is not part of the federal old age pension administration.

The CHAIRMAN: That information was contained in Mr. Martin's speech in the House, was it not?

Mr. FLEMING: Mr. Chairman, I think this is a matter of interest to the committee, and I think it is information which is available from the records of the department, and we ought to have it. It is basic information. Probably it is something outside of the case at the present time, but we want to get a pretty broad basis of information at the start of this inquiry. I think it should be before us if it is available. What I have in mind particularly is bonuses given in the form of free medicine, and in certain cases hospitalization.

The CHAIRMAN: That is in connection with bonuses. I have that here. It was contained in Mr. Martin's speech in the House.

Mr. SHAW: But those figures are not all up to date, Mr. Chairman.

The CHAIRMAN: They are not?

Mr. SHAW: No.

Mr. MACINNIS: We had better have those figures from the department.

Mr. FLEMING: I think that is all information which Dr. Davidson could very easily produce to the committee. It would be helpful to us as part of the basic information supporting our inquiry.

The WITNESS: We have the information from the provinces. My only point is that I should have clear instructions from the committee as to what they are interested in having. I take it from what you say, Mr. Fleming, that what you are interested in is the supplementary payments being made now, rather than going back over the somewhat complicated history which goes back as far as 1943, 1942 and 1941.

Mr. FLEMING: I do not know how the committee feel about that. I think it would be best probably to go back over the whole thing. We are, of course, more interested in the recent history, but on the other hand I think we should have a longer period for review.

The CHAIRMAN: We should be satisfied with the present situation.

Mr. FLEMING: I prefer to leave it with Dr. Davidson to make a selection of the material which may be of use to this committee.

The CHAIRMAN: Dr. Davidson will do his best to get the information.

Mr. FERRIE: How many provinces are providing free medical care for old age pensioners?

The CHAIRMAN: Dr. Davidson is going to provide the committee with that information as soon as he can get it from the provinces. That is the matter we were just talking about.

Mr. FERRIE: Are you going to get it for all the provinces; are you going to include the municipalities?

The WITNESS: Mr. Chairman, if the committee would agree to it, it has been suggested that I might prepare a paper that would deal with this matter; then if I do not supply you with all the information you are interested in just let me know and we will try and do something about it; but I cannot, frankly, tell you at the moment what I am going to put into it because I have not written it yet.

Mr. FERRIE: There is one thing I would like to say here; that there are municipalities in this country who have been providing free medical care for old age pensioners for the past twenty years, as far back as 1928; and that has been done by certain of the municipalities throughout Canada who have considered old age pensioners as indigents and have put them in that category and have paid for their hospitalization and medical care, and they have done that for over twenty years.

Mr. FLEMING: Under provincial legislation.

Mr. FERRIE: No, not under provincial legislation, under municipal legislation. They had no special authority for it, other than their own local responsibility. They considered old age pensioners as indigents and treated them accordingly.

The CHAIRMAN: No municipality in Canada has any authority at all that it does not get from the provincial government.

Mr. FERRIE: Yes, but they did it in the way I say, by treating these people as indigents.

The CHAIRMAN: Yes.

Mr. FERRIE: And the provinces have finally accepted it.

The WITNESS: Might I just, perhaps, cover this point with a brief comment, Mr. Chairman? What I would propose to do offhand is to include in this memorandum any organized provisions specifically for old age pensioners in those provinces where such officially organized provisions exist; and in provinces where no special organized provision is made for old age pensioners as distinguished from the rest of the population, I can assure you that we will

try to get you all the information available as to the general provision made by provinces with respect to the treatment of old age pensioners as a section of the total indigent population.

The CHAIRMAN: I am sure the committee will be satisfied with that.

Mr. BLAIR: May I refer to a question which was asked by Mr. Shaw about assessment values. In some of the municipalities assessment is probably one hundred per cent while in others it may be fifty per cent or sixty per cent. It varies. You might have a high assessment and a low tax rate or a low assessment value and a high tax rate. What rule do they use to work it out? You might have two municipalities ten miles apart; one would have assessment at a high value and the other at a low value. Would that not have a bearing on these recoveries and the amount of them in certain cases?

The WITNESS: I did point out yesterday, Dr. Blair, that a decision to base the charge against property on the assessment is not required under the federal act or regulations; it is a decision taken by the provinces in most cases because they think it is more convenient and on the whole just as equitable to do it that way rather than to try to calculate the fair rental value less maintenance cost, as technically required under the federal regulations.

Mr. BLAIR: I was referring particularly to those cases where you have a variation in the principle of assessment and taxation, where it might be one hundred per cent in one municipality while in another it might be only fifty per cent or sixty per cent by way of assessment.

The WITNESS: I do not quite get the significance of that because actually these claims are laid against the value of the estate as it finally turns out to be when the asset is sold, rather than against the assessed value of the property.

Mr. LAING: Just in respect to that point which we were discussing a moment ago, bonuses and free medical care and hospitalization to old age pensioners, I know something about what has been done in British Columbia, in the way of housing for the aged and I believe there has been something new put under way in Ontario.

The WITNESS: We have a very limited amount of information on that point, Mr. Chairman. It may be extremely difficult for us to give the committee anything useful beyond the information with respect to cash supplements, medical and hospital care.

Mr. KNOWLES: I would like to ask a question about chart "F". Dr. Davidson indicated yesterday that his officials were working on the question having to do with the provincial cost of administration. I presume from the general way in which I asked the question on the order paper in the House that it will be a lump sum indicated in the answer. I wish now I had asked for a breakdown of that cost to show what it costs the dominion, or more particularly the provinces, to collect these amounts that are recovered. When you look at the table that we have before us it really should suggest to all of us that it is not worth bothering with. All this trouble resulted last year in a total recovery of \$428,000 for the whole of Canada. Of that \$319,000 was for the federal government and only \$108,000 was to be divided amongst the nine provinces; in other words, an average of about \$12,000 to each of the provinces; but in the case of one province in particular, New Brunswick, they only got \$41.39. I am sure that the administrative cost of collecting that \$41.39 was more than the amount recovered. The same thing applies to Prince Edward Island.

Mr. CROLL: Oh, no, no; collection is automatic, there is no expense.

The CHAIRMAN: That is done through the provinces. Unless Dr. Davidson has some definite information on it I do not see why we should go further into it.

Mr. KNOWLES: If he has it now we should have it; if not, I will wait until I get my return in the House. But I want to make my point, that when you look at these figures and figure that each of the provinces of this country gets about \$12,000 a year by making these recoveries from estates I suggest it simply is not worth it.

The CHAIRMAN: The cost of collection is borne by the provinces.

Mr. KNOWLES: Yes, out of that \$12,000.

Mr. HOMUTH: In so far as the province of Ontario is concerned, that all comes out of the sale of the property; I mean, there is really no cost in connection with collection, even in respect to legal fees.

Mr. CROLL: I think that is what he meant.

The WITNESS: I haven't got the information Mr. Chairman, as to the amount spent by the provinces under this particular section of their total administrative costs, and I seriously question whether in the case of some of the provinces it is possible for the provinces themselves to segregate those costs.

Mr. CROLL: You are trying to do some lawyer out of a job.

Mr. SHAW: Does that show the gross or the net recovery?

The WITNESS: Those are the total recoveries.

The CHAIRMAN: There is no cost attached to it.

Mr. SHAW: Of course, theoretically, no; but if someone writes a letter it costs something to have that person on the government payroll.

The CHAIRMAN: Well, if that person is not writing that letter he will be writing another one anyway.

Mr. KNOWLES: Just another word. I want to make it clear that I am not trying to do the lawyers out of a job, I am merely pointing to the small amounts that are recovered as a result of this provision in the Act.

By Mr. Fleming:

Q. Following up on the same point having regard to the total amount of recoveries—less than \$500,000—is there any advantage to the administrative system as a whole in continuing this system of recovery which now exists?—A. That, Mr. Fleming, is really asking me if we should form an amendment to the Act to abolish this provision. I am not sure that I can express an opinion on that.

Q. I know, and I would not ask you to express your opinion on any matter of policy. I make that reservation; but I thought you might care to express some views as to its value from an administrative point of view, or from any other point of view, as to whether the costs of recovering these amounts from estates are really justified when the whole thing amounts to only a matter of half a million dollars for the whole of the dominion.—A. I would, perhaps, be wise, Mr. Fleming, if I simply directed your attention to the third sentence on page 14: "If a prospective beneficiary is a distant relative who lives outside of Canada and has not supported or shown much interest in the deceased pensioner, the pension authority may be less inclined to waive a claim than in other circumstances." I simply raise for the committee's consideration whether in the mind of the committee members themselves there is any validity in the point that if the provincial and federal authorities have paid out certain amounts to maintain an aged person they should have, if anybody is going to have, a prior claim on the recovery from the estate, over somebody outside of the country who has shown no interest in the pensioner during his lifetime. That is the only point I pose to you at the moment.

Q. As supporting a continuance of the present system?—A. Yes.

Q. Of course, if you were to drop that—considering it from the recovery point of view—if you continue the means test and eliminate recovery from estates, your total loss would be on this point we mentioned, the estate going to some person outside the country. You have that in comparison to the sum total collected, and that is half a million dollars.

The CHAIRMAN: It is negligible on the whole.

Mr. CROLL: May I ask a question.

Mr. FERRIE: May I, as a privilege. Let us get down to and stay with one subject. They are jumping here and there and all over. A minute ago we were on assessments. We are doing just the same as they do in the House—they jump up and nobody gets a chance to think—you have got to jump up, but they go on talking, and talk, talk, talk. I say let us hold them down to the subject matter and then give us a fraction of a minute when we change from one thing to another. That is the only right and proper way to carry on.

The CHAIRMAN: Mr. Ferrie, that is what I have been very sincerely trying to do.

Mr. FERRIE: You fellows have done nothing but talk.

The CHAIRMAN: Please, Mr. Ferrie—

In order to be fair to Mr. Fleming, I must say that he was dealing with a point on chart F, on the top of page 14. That is the matter which we are studying now.

Mr. FERRIE: I understood you to say that we had gone down to assessments; we were told what assessment was, and then they jumped right from that to another part in the centre of page 14.

Mr. KNOWLES: The matter of assessment was out of order.

The CHAIRMAN: I know.

Mr. FERRIE: We had not finished it.

Mr. KNOWLES: That was out of order; we were on recoveries from estates.

The CHAIRMAN: Please, gentlemen, now this is all over.

By Mr. Croll:

Q. May I just ask one more question. Dr. Davidson, would you say, or would you not, that the possibility of a lien on property is in itself a deterrent and stops many people from applying for pension?—A. I would only be expressing an opinion but I think my personal opinion would be the same as yours.

Q. Dr. Davidson, my opinion comes as a result of experience.—A. Mine would be much less valuable than yours—I have not had as much experience.

Mr. FLEMING: In the light of that statement should Mr. Croll now give his opinion.

Mr. SHAW: It is a fact, I am sure, that all of us have come into contact with persons who have gone two or three years beyond the age of seventy before applying, being fearful of this, and they apply later but have possibly lost one, two or three years of pension. It was only a matter of getting the truth, but they cannot always get the information.

The CHAIRMAN: I believe that is the personal experience of each member.

By Mr. Homuth:

Q. As another inquisitive member of the committee, in one of my questions, Doctor, I asked whether you had any figures as to how much money had been recovered as a result of pensioners earning over and above a certain amount. Those figures are not in this chart, are they? Or would they be included in the

figures on recovery in chart F?—A. No, sir. The nearest we can get to that is chart E, before page 11, which shows the average amount of pension actually paid.

Q. Actually it is very difficult to get that information?—A. Yes.

Q. I appreciate that, but I just wondered. I thought if any recovery—and actually it is not a recovery but it is a penalty—would be added to chart F. However, that is just a recovery from estates?—A. Yes.

The CHAIRMAN: Well, gentlemen.

Mr. HOMUTH: We are getting very friendly here now.

The CHAIRMAN: You are. I might say here that tomorrow our idea was to hear Mr. Willard on the system in Australia. We have only two more points of interest in this brief which we are studying and one is the variation between the provinces in the pension year, and the second is the effect on pensions of any personal property. I would ask the co-operation of the members so that, if possible, we might get through these points tonight.

By Mr. Cannon:

Q. Before we go on to something else there is a question I would like to ask. Dr. Davidson, in connection with recoveries from estates, it is easy to see the amounts recovered are not very great. However, if the committee should decide not to abolish the means test, do you think the possibility of recovery taking place from their estates would be a deterrent to persons applying for old age pensions and making false declarations as to their means? Do you not think it would work that way?—A. I am afraid I did not get your point clearly.

Q. Well, if you can recover from an estate, if you can preserve the disposition as we now have it under the law—do you not think if the means test were preserved that feature would act as a deterrent to a person who might have the idea of making a false representation as to his assets? He might not declare what his real assets were, and although the recovery from estates does not bring in much, it might be saving a lot by preventing the possibility which I mention?—A. I would not like to express a firm conviction on that—I just do not know. You might be right, but we certainly have no evidence one way or the other bearing on the point.

By Mr. Fleming:

Q. Is it not a fact that if fraud is committed by an applicant for pension, regardless of this provision regarding estates, his estate would be liable?—A. Yes.

Q. So the two things are entirely independent. A person's estate would be liable for whatever he received by way of fraud, in any event?—A. In one case you are recovering from the estate amounts legally paid; in the other case you are recovering amounts illegally paid.

Q. The amounts on this table in connection with which we have been spending some time are recoveries of payments made legally and have nothing to do with illegal payments?—A. That is correct: recoveries on illegal payments are classified as refunds.

Mr. FERRIE: How do you get it if you do not file a lien or caveat in Ontario?

Mr. CROLL: You do file one in Ontario.

The CHAIRMAN: It is in British Columbia that they do not.

Mr. FERRIE: Someone just said that they did not file them in Ontario?

The WITNESS: Page 14, paragraph 3, gives the provinces which provide in their provincial laws for the registration of liens. It also gives provinces which do not provide for registration of liens. We did not include Newfoundland because we were not certain of the facts there, but my understanding is that Newfoundland has no provision for registration of liens against estates.

The CHAIRMAN: Gentlemen, there is the division bell, and as it is now, 5.30 we shall now reconvene until tomorrow. I would hope that we might finish the two points I referred to in half or three-quarters of an hour in the morning. We can then go on to the Australian system. Under the circumstances I believe that we should distribute Mr. Willard's statement now, so that members will have an opportunity to read it tonight.

The meeting adjourned to meet again Thursday, April 20, at 11.00 a.m.

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JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

THURSDAY, APRIL 20, 1950

WITNESSES

Dr. G. F. Davidson, Deputy Minister of Welfare, Department of National Health and Welfare.

Mr. J. W. Willard, Director of Research, Department of National Health and Welfare.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950





MINUTES OF PROCEEDINGS

THURSDAY, April 20, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 11.00 a.m. Mr. Lesage, Joint Chairman, presided.

Present:

The Senate: Honourable Senators Burke and Hurtubise.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brown (*Essex West*), Cannon, Corry, Croll, Ferrie, Fleming, Knowles, Laing, Lesage, MacInnis, Macnaughton, Robertson, Shaw, Smith (*Queens-Shelburne*), Weaver, Welbourn.

In attendance: Dr. G. F. Davidson, Deputy Minister (Welfare), Mr. J. W. MacFarlane, Director, Old Age Pensions Division, and Mr. J. W. Willard, Director of Research, Department of National Health and Welfare.

Dr. Davidson was recalled and further examined.

In the course of proceedings Mr. Brown occupied the chair during the temporary absence of the Chairman.

At the conclusion of Dr. Davidson's examination on Canada's Old Age Pension Program, the Chairman, on behalf of the Committee, thanked the witness and offered him congratulations for the able manner in which he had presented his evidence.

At 1.00 p.m. the Committee adjourned until 4.00 o'clock this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., Mr. Lesage, presiding.

Present:

The Senate: Honourable Senators Burke, Hurtubise and Stevenson.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Brown (*Essex West*), Cannon, Corry, Croll, Ferrie, Laing, Lesage, MacInnis, Macnaughton, Robertson, Shaw, Weaver, Welbourn.

Mr. J. W. Willard, Director of Research, Department of National Health and Welfare, was called. He presented a brief on Old Age Income Security Programs in Australia.

On motion of Mr. Robertson,

Ordered,—That the brief be taken as read, and printed as part of this day's evidence.

The Committee then proceeded to the examination of Mr. Willard who was assisted by Mr. C. D. Allen, Research Assistant in the Department of National Health and Welfare.

After the Committee's proceedings had been interrupted twice by the House of Commons division bells, the Committee adjourned until Tuesday, April 25, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
April 20, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 11.00 a.m. Mr. J. Lesage (Joint Chairman) presided.

The CHAIRMAN: Order, gentlemen.

Mr. BROWN: Mr. Chairman, before we go on, may we have some idea as to whether we shall meet tomorrow?

The CHAIRMAN: No; we shall meet next Tuesday at 11.00 a.m.

Dr. G. F. Davidson, Deputy Minister of Welfare, recalled:

The WITNESS: Mr. Chairman, I think we are ready to take up the section at the bottom of page 14, which relates to the problem of the use of the pension year as a basis for calculating annual income as required under the Old Age Pensions Act.

As members of the committee know, the Act bases its calculations on the amount of income that the pensioner may have within a year's period and, for that purpose, it is necessary for the pension authority to decide what twelve month period it is going to choose as a basis for annual income. The point that is made in this memorandum is that different pension authorities in different provinces have found it convenient to use different base years as a basis of calculation of these annual amounts. In the prairie provinces, for example, and this is not mentioned in the brief because it has been abandoned—there was at one time a practice of using the crop year on which to base the annual income. For the prairies that system had a certain amount of practical application. Basically, however, all of the provinces have now come down to two different bases of calculating income—one on the basis of the so-called pension year, and the other on the basis of the calendar year.

A province which uses the pension year takes an application which comes into its hands and is decided to be eligible for the first time in April of this year, and they put the pension into effect in April of this year. They use as a basis of their year calculation the twelve month period from April of this year to March of next year, inclusive. In that case you have different pension years as the basis of calculation for different persons in the same province, depending on the month when the pension is granted. That has an advantage from the viewpoint of administration in that it spreads the work load evenly over the course of the year, but it has certain inconsistencies in it which affect in minor respects different pensioners in the same province.

Mr. LAING: Payments are all made on the first of the month?

The WITNESS: On the last of the month.

So much for the so-called pension year; now I shall deal with the other alternative. The other alternative is the calendar year. A province using the calendar year will work out regardless of the month when pension is first paid a calculation with respect to income which the pensioner is entitled to in the remainder of the year. In other words, if a pensioner came under the Act in April they would work out a calculation for an interim payment for the nine

month period. Then, on the first of January next year, they would bring that pension on to the basis of the calendar year, January to December, and calculate the income and eligibility of that pensioner on the basis of the twelve month period.

Mr. KNOWLES: You say that is being considered?

The WITNESS: No, that is being done in a number of provinces. Both alternatives are used as present. I should say that there are variations as between various provinces, even in respect of those procedures. For example, and I think this is significant, at the bottom of page 15 and at the top of page 16, you will see given two examples of important differences in those provinces which use the pension year as the basis of their calculations. Take for example a pensioner who, in the course of a year, may get a temporary job and go off pension completely for three or four months. In certain provinces using the pension year as a basis of calculation, that pensioner goes off pension and on to the job, comes back, and the amount of money earned during those employed months is taken into the income calculation for the twelve month period of the pension year which includes the months he worked.

Mr. BROWN: Is that done in Ontario?

The WITNESS: No. Ontario is following the practice I am coming to now, in which, if a pensioner goes off for a number of months, due to employment, instead of adhering to the April base as the pension year, Ontario will pick the pensioner up say in September when he comes back and start him over again on a new pension year beginning in September and extending to August of the next year. They have not been taking into consideration the earnings of the pensioner during the months he was employed. That is the basis upon which Ontario has been operating up to the present time.

By Mr. Knowles:

Q. Is Ontario the only province that does it that way?—A. I am informed by Mr. MacFarlane, who knows the details better than I do, that British Columbia operates on that basis too. I should add that the illustrations I have given do not exhaust all the combinations that are used by provinces in respect of this particular problem, but I have given you the basic and main principles which are in operation at the present time.

Q. They do show the possibility of quite wide variation in generosity.—A. Very definitely. I might also point out that this applies even in one particular type of operation. Let us take the type of operation which I have said Ontario is using at the present time. That in turn produces rather variable results. It means that in one case a pensioner goes off pension on full-time employment and earns \$200 in a two month period, and that does not affect his pension when he comes back. On the other hand, if you have a superannuated employee on a \$15 a month pension or someone working as a janitor or fireman for an apartment who gets \$15 a month, that lower amount, because it is continuous for the year has a greater effect.

You find here another of those situations similar to others which we have discussed; a formula which has generous implications in one direction with respect to one particular type of income calculation creates a certain amount of inequity between the calculation for one type of income and another kind.

By Mr. Ashbourne:

Q. Am I correct in thinking that income of every old age pensioner is reviewed every year, annually?—A. That is a provision required under the law.

Q. I know that as far as Newfoundland is concerned—of course it is new for us as we did not have old age pensions before—but when the application was made, the applicant was required to state his income for the twelve months previous to the date of application?—A. That is right.

Q. Which, of course, might be quite different from the income for the calendar year. That would be automatically reviewed at the end of the fiscal year or the calendar year?—A. That would be reviewed on the basis of the base year upon which Newfoundland operates. I am informed Newfoundland has selected the calendar year as the basis for calculation.

By Mr. Brown:

Q. You say they are reviewed at the end of each year, or each year? Is it not true, however, as a matter of administration, that these reviews are usually several years in arrears?—A. I would not say that, Mr. Brown. They may be several months in arrears but a very real effort is made to keep up.

Q. Do you mean reviewed by the federal authorities or by the provincial authorities?—A. By the provincial authorities themselves.

Mr. KNOWLES: Each pensioner fills in a form once a year.

By Mr. Brown:

Q. Yes, but who is it reviewed by?—A. The provision is, Mr. Brown, that the provincial pension authority must obtain annually from the pensioner a statement of his income for the year.

Q. I am asking the question because one of these people came to me just the other day. The man had been earning supplementary income over and above his pension. This had continued and he had obtained a surplus or excess on his income for four years, and now they are coming back to him about it.—A. Did he declare that income before?

Q. Yes, each year; and the inspector had known of it. That is why I am suggesting these things are probably several years in arrears.—A. I cannot accept that as being consistent with my understanding of the situation. I would think that situation would be most likely to arise when the pensioner had not declared his income. I would be glad to look into any case of that kind if you would care to bring it to my attention.

Mr. MACINNIS: My experience confirms what Dr. Davidson says that they make an income declaration of an annual basis.

The WITNESS: Certainly an attempt is made to have these on an annual review basis. Otherwise it gets involved. There have been cases where there has been undeclared income which suddenly comes to light and which may upset the calculation pretty seriously.

I was going to say that this was one of the examples which I promised one of the members I would mention. I think I touched on it the day before yesterday. It is an illustration of the effort being made by the federal authorities in conjunction with the provincial authorities through the inter-provincial board, and also through correspondence, to bring about a greater measure of uniformity. We think that here there is more of a case for a uniform base year being selected, and more of a case for uniformity in a matter of this kind, than perhaps there is in respect of some of the income calculations which we discussed at earlier meetings of this committee. As one contribution to this effort the prairie provinces agreed, a number of years ago, to abandon the crop year and to select either one of the alternatives I have mentioned as the base year for their calculations.

By Mr. Knowles:

Q. May I ask the Doctor a question at this point. I think I can see a possibility, if you could achieve it, of a uniform plan amongst all of the provinces that would avoid any discrimination as between provinces, but can you devise a scheme that will avoid discrimination between individuals in a province?—A. I think I will have to answer that by saying that it is, in my opinion, almost impossible to devise a scheme that will completely eliminate discrimination.

May I give an illustration. Supposing a pensioner gets a sum of money in the early part of a given base year—

Q. That is what I was thinking of?—A. —that is not sufficient but almost sufficient to diminish his pension. If he gets the same amount of money thirteen months later and the second part of his income falls in the next base year, then for two years running his pension is undiminished. If, however, those two amounts were earned or came to him within a ten month period or less than a twelve month period it may affect his pension.

Q. The similar case would be that of two pensioners in the same province, one of whom was earning \$300 or \$400 in a short period. One of them earns it all prior to the end of a base year and the other earns it half in one base year and half in the next. There would be a difference in effect?—A. That is correct.

Q. In other words the more we go into this matter of the means test the more obvious it is that the only thing to do with it is to do away with it?

The CHAIRMAN: That is your opinion.

Mr. KNOWLES: I hope it is yours too.

The CHAIRMAN: I have an open mind.

The WITNESS: We are working on this with the provinces in the hope that we can arrive at a greater measure of uniformity in so far as the base year is concerned.

Mr. KNOWLES: Despite what I said about no plan being free of discrimination, would Dr. Davidson care to indicate what uniform plan the federal department is trying to get the provinces to agree to?

The WITNESS: I will give that answer in two stages. First of all, in early 1949 we reviewed the situation in terms of what the provinces were actually doing. We found most provinces, as of that date, were operating on the basis of a calendar year. Therefore, we said to ourselves the chances of getting all provinces to work on the calendar year are probably greater than for any other formula, although we ourselves had certain reservations about the advisability of using the calendar year. We therefore wrote to the provinces which were not using the calendar year and asked them if they would care to switch over to the calendar year which was used by the majority of provinces. Some of the provinces said they would do so if all of the others agreed, but the result was that some of the provinces felt so strongly that there were weaknesses in the calendar year that we reviewed the situation again and decided not to press for uniformity on the basis of the calendar year. And we have since then been exploring other possibilities, and the basis to which we have come now, and which we are exploring with the provinces, is a basis which combines, in some degree, the pension year and the calendar year.

I might illustrate it as follows: supposing a pensioner comes on pension for the first time in August. We think there are certain inequities in suggesting that his initial pension should be based on the short time period of August to December because he might get a sizeable amount of income in a short period, and if this were concentrated in a relatively small number of months, it might diminish his amount of pension more than if a full twelve month period were taken. Therefore, we are exploring the possibility of using the pension year

from August to the next July as the basis in establishing the initial amount of pension; and therefore the initial amount of pension would be established on the basis of a pension year.

However when you come to the 1st of January after that, at that point you recalculate the income for the calendar year, which will be January to December. And at January, you switch over from the pension year to the calendar year. That is getting fairly close to the basis which is set forth here as being the calendar year basis; but there is a minor difference in that in the initial establishment of pension you use the pension year base rather than the remaining part of the calendar year as the base.

We have set that before the provinces and have asked them to consider it as to its possibilities and to see what effect it would have on their own administrative methods, and we are hoping to get the reaction of the provinces in the course of the next few months. It may be that the matter will not be fully dealt with until we have our next meeting of the Interprovincial Old Age Pension Board.

MR. SHAW: It did not escape my attention that Dr. Davidson did use the word "discrimination" today in connection with this matter.

By Mr. Fleming:

Q. When is the next meeting of the conference to be held?—A. It is not charted at the moment.

Q. But it won't be before September?—A. We would have to consult the wishes of the provinces as to when they would want it to be held. We were prepared to hold a meeting of the Interprovincial Board last year.

MR. CROLL: He is not talking about that.

MR. FLEMING: Yes, I am.

THE WITNESS: But some of the provinces indicated that in their opinion it was too soon after the regulations of 1948 and the amendments of 1949, and they wanted time for their administrative problems to shake down a bit.

By Mr. Shaw:

Q. I wonder if Dr. Davidson might explain why in some instances a pension becomes operative on the very date that the application is approved, while in other cases it is made retroactive to a previous date?—A. That is one of the changes that was made in the regulations in 1946 at an Interprovincial Board meeting.

Prior to that time the regulations in effect provided only that the pension should apply as from the month following the month in which the pension authority finally approved the application, and there were some delays involved which, in many instances, were in no way attributable to the pensioner himself. So that was considered to be inequitable. Consequently, we drafted new regulations. It comes under section 14 (1) of the regulations, and those regulations provide, briefly, that the pension authority has the discretion. The provincial pension authority has the discretion to date the pension back to the month following the month in which the application was received, if it considers that the delay in the processing of the application was not due to any action of the pensioner himself.

By Mr. Knowles:

Q. What is the number of that regulation again, please.—A. Regulation 14 (1).

THE CHAIRMAN: Are there any other questions?

By Mr. MacInnis:

Q. Are you finished with page 16? There is a question I would like to ask which was brought to my mind by the third paragraph in regard to real property. I believe that in some countries real property may be of two kinds: real property which is used as a home, and real property that is used for income purposes. I believe that in New Zealand real property which is used as a home is not taken into consideration in assessing income; whereas income from real property which is not used as a home is taken into consideration. Is there any difference made in our Old Age Pensions Act in regard to that?—A. Yes, sir. I may be anticipating a bit, but I would like to comment, first of all, on what I understand the situation to be in New Zealand. For example, it is true that in New Zealand property which is used as a home is not taken into account in the calculation of income under the New Zealand Old Age Security Act, in so far as that calculation relates to the deduction from the pension or from the allowable income in respect to property as property. But if there is any income from that property, the income from the property is taken into account for the calculation, even though the property itself may be excluded from the capital value assessment. Do you follow me in that respect?

Q. What would you consider as income, if part of the property is rented?—A. There may be property used as a home in New Zealand from which there is a certain amount of income, and while that property itself may be exempted from the property calculation, the income from the property, even if it is used as a home it is taken into account on the income side. That would be outside income.

Q. It would not be the supposed value of the rent to the pensioner?—A. No, it would be outside income. Now if you will look at section 11 of the regulations you will see there the distinction that is made, under the Canadian law, between property used as a home and property that is not used as a home. I have already dealt in some detail with the first of these, namely, property used as a home, where the pension authority is supposed to consider as income an amount which is fairly equivalent to what the pensioner could be expected to pay for rent, with the proviso that the pension authority has discretion to deduct the amount of maintenance costs of the property.

But in the case of property that is not used exclusively as a home, that might mean a property in which the pensioner lives but which he uses as a boarding or rooming house, or property in which he does not live; then section 11 (a) (ii) would apply, and the pension authority, in this instance, shall consider as income the net revenue that such property, in the opinion of the pension authority, could reasonably be expected to yield. If such property is producing revenue which the pension authority considers to be fair in relation to its value, it may accept as the value of the income thereon the net revenue therefrom, after deducting reasonable and necessary expenses of maintaining such property, other than any payment of principal on any mortgage or agreement for sale thereon. In other words, the pension authority is supposed to look at that property and to decide first of all whether it is, in fact, yielding an actual revenue. If the pension authority considers the revenue which it is yielding is a reasonable revenue and that there is no artificial arrangement made to lease a valuable property on the basis, let us say, of \$1.00 a year to a friend or relative, then the pension authority takes the actual revenue from that property less the expenses of maintaining that property and charges the net revenue as outside income. But if the property, in the opinion of the pension authority, is being rented out on an artificially low level, then they may assess the revenue from that property at an amount which they think would be reasonable to expect that property to yield. So there is a slight difference between the ways in which property used as a home and property which is not used as a home are dealt with under the Canadian regulations.

Q. But in both cases the value of the property used is taken as part of the income?—A. Quite.

Q. One is the valuation put on the rent by the pension authority, and the other case, the pension authority takes the net outside income.—A. That is right.

By Mr. Smith:

Q. You mention in your memorandum current income. What do you mean by that?—A. I am thinking, for example, of a person on superannuation who is getting, let us say, \$15 per month; or of a person who is receiving from \$15 to \$25 as a janitor. That is what I have in mind.

Q. Would a government bond be included?—A. A government bond, being personal property, would be included in the annuity calculation. And since we are getting into this next section, "Annuity Calculations of Personal Property"—

By Mr. Knowles:

Q. I would like to ask a question about the general application of the annuity rates.—A. First of all, might I make a correction of the text. On page 17 the arithmetic is wrong. In example 2 on line 4 you will see the figure \$164.52. That should read \$174.52. In the next line you will see \$435.48. That should read \$425.48. In the next line you will see \$44.52. That should read \$54.52. I have taken the liberty of making these corrections in the printed text of our proceedings, and they will appear as corrected in that text.

Q. My question about annuities relates to the fact—and I am not going to discuss the rightness or wrongness of it—but if I understand correctly, a pensioner who was on pension prior to April 1948 still has his personal property, his cash assets, regarded as providing him an income equal to the amount of that money in an annuity at that time. Whereas, on the other hand, a person who has gone on pension since April 1948 finds a lump sum of cash treated as providing him with the amount of income that that money would buy today at an annuity basis. In other words, the person who had \$2,000 prior to April 1948 has that \$2,000 computed as being worth more to him than is the case at the present time. Am I right in thinking that that is the practice?—A. You are right as far as you go, but there is a third factor which I would like to add, and that is: that in the case of any reviews of annuities, due to an increase in the amount of property or a decrease in the amount of property that may be taken into account, as appears in the regulations, in all those cases the entire property amount is recalculated in terms of the annuity values prevailing after April 1948.

Q. Thank you, Dr. Davidson, for adding that. I knew it but I am glad to have it in the record because it strengthens the point I want to make. It seems that people now going on pension have their cash sum of money computed at the low rate while others on pension prior to 1948 whose cases periodically come under review also get advantage of the low rate and that same advantage could be given to all those who were on pension prior to 1948. I think it is quite unfair; it is another of these little discriminations. The fact of the matter is that anybody on pension prior to 1948, when the increase in pension rates was made in 1949, suffered the possibility of the decreased differential. Why should he not get the advantage of the change that was made in the annuity rate. I want it understood when I talk of advantage in the change of annuity rates, I am not speaking of the advantage to the purchaser of an annuity—it was a disadvantage to them—but we are on the other side of the matter here when we deal with old age pensions. I have stated the question; perhaps you have an answer.—A. As you say, Mr. Knowles, the reduction in the annuity rate which operates to the disadvantage of persons who actually purchase annuities did by this odd circumstance operate to the advantage of certain of the old age pensioners. I can only say to you quite frankly the two considerations that we had in mind in trying to arrive at a decision of this admittedly debatable point, first of all was

the problem from the provincial point of view of recalculating all the annuities at a given point in time. Now, that is a relatively secondary problem I admit but it is an administrative problem of some concern to the provincial authorities. The second point, which is, I think, the point of principle here, is based upon the annuity calculations as used. Now, the only reason for using the annuity calculation is that the pension authority makes an assumption at the time the pensioner comes on pension that if the pensioner has a certain sum of money he could take it at the moment to the Dominion government annuities branch and purchase a Dominion government annuity with it on the basis of the rates prevailing at that time, and the regulations provide in fact for the assumption that he will do so. Now, a pensioner who came on pension in 1947, it is assumed, took his money to the annuities branch and bought the annuity at the rate prevailing at that time. If he had done so, no subsequent change in the annuity rate would affect his particular annuity. However in the case of the person coming on pension after the year 1948, had he taken his cash and bought a dominion government annuity at that time, as assumed by the Act and regulations, then he would, of course, have his annuity calculated at the less favourable rate, and therefore, would be entitled to the better calculation under the present arrangement. That was our thinking at the time we made our decision. I would be the first to admit that there are arguments on both sides, but I wanted to put before the committee the reason behind our decision in the matter.

By Mr. Laing:

Q. Would Dr. Davidson be good enough to give us what he thinks the reflection financially would be in the most exceptional case? It would be very small, would it not?—A. Yes. My impression would be—

Q. Would it be a dollar a month—say the most exceptional case?

By Mr. Knowles:

Q. It would depend on the amount of liquid assets that the pensioner had and the amount, as Mr. Laing says, might not be very much, something of the order of a dollar a month, as he says. I have not had many cases of that kind drawn to my attention but I have had some and you find that he has a real grievance.—A. Could I just bring to Mr. Knowles' attention, and to the attention of the committee, a case as it operates in reverse. This does not happen very often. We had one case brought to our attention from one of the provinces where, in fact, the person had bought an annuity prior to April 1948 and then came on pension in 1949. As I say, that does not happen very often. We were then asked to decide whether we should take into account the actual income that the person was now getting from the annuity or the income as calculated by this formula, as provided for in the regulations. We said in that case we should make the calculation as provided for in the regulations and give to the pensioner the benefit of the lower annuity assessment, even though, in fact, the income the pensioner was getting from the annuity was higher.

Q. I am very interested to hear that because that sort of washes out the admission that you made earlier, namely, that you were to assume that people bought those annuities. I want to say that with people I have had occasion to deal with I always recommend as strongly as I can that they do purchase annuities. I try to point out to these people that there is some security there always, that there will be a certain amount of security as long as they live, but I do not have much success. Not very many old people who have not purchased an annuity in their younger days seem willing to put the few dollars, or even the few thousand dollars cash they have into an annuity. The point I want to make is that though you have seemed to discriminate against the odd person who has purchased an annuity prior to 1948 by giving the advantage of the new rate to those who were on pension prior to 1948, who had not put their money

into an annuity, that number of persons is very few, and the people who are suffering discrimination are fairly large in number compared to the people who have gone on since 1948. Now, that is why I am so much in favour of the removal of the means test altogether, but in the meantime it seems to me to be a means of discrimination which is unfair. Here is a case where it is not a discrimination resulting from differences in provincial administration, it results from a decision made here at Ottawa with respect to calculating the income resulting from these different annuity rates.

The WITNESS: I was going to say that this whole field of income calculation from a personal property is one where there is a uniform provision laid down in the federal regulations which does apply across the board.

Mr. FERRIE: Mr. Chairman, may I ask Dr. Davidson this question. Maybe I should illustrate my point by way of an example. A husband died and his widow, surviving him, sold some farm machinery and realized a thousand dollars. She put this thousand dollars in the bank. In calculating her pension, the pension authority deducted the amount of the annuity corresponding to that \$1,000. Later, she took that thousand dollars and repaired her house, and they are still making that deduction from her old age pension. Should that be or should it not?

The WITNESS: Could I draw your attention, Mr. Ferrie, to regulation 12 (1) which, first of all, lays down the principle that

where the pensioner could purchase an annuity with the proceeds of personal property but fails to do so, the amount of annuity calculated as provided in paragraph (b) of section eleven of these regulations shall be considered as annual income during the life of the pensioner.

I am going back to Mr. Knowles' question for the moment. This is the basis on which we have held to that ruling in so far as the pre-1948 annuity calculations are concerned; but then sub-section (2) and following of this regulation provides the circumstances under which certain deductions can be made from the original calculation of personal property for annuity purposes. Suppose, for example, a pensioner has \$2,000 when he starts off. We assess the annuity value of that and then he comes along and at a certain point we find that he has reduced that \$2,000.

by payment of medical, nursing or hospital accounts for the pensioner or his spouse or funeral expenses of the spouse.

Under those circumstances the pension authority can deduct those expenses from the \$2,000 that the pensioner was assessed at the beginning, and then recalculate his annuity on the basis of, let us say, \$1,800, or \$1,600.

Mr. KNOWLES: And on the basis of the new annuity rates?

The WITNESS: On the basis of the new annuity rates, that is right. Likewise, if a pensioner goes off pension for a period of time completely and then comes back on again, instead of being still charged with the \$2,000 that he had before when he was on pension, he is allowed to reduce the value of his personal property by the amount of the living expenses during the period when he was off pension to the extent of the maximum allowable income that is allowed by the Act, namely, \$600 for a single person and \$1,080 for a married couple.

By Mr. Ferrie:

Q. Supposing he spent all that.—A. He is only allowed, under the regulations, to reduce his personal property at the rate provided for in the Act and regulations, namely, \$600 a year for a single person and \$1,080 for a married couple.

Coming to your question, Mr. Ferrie, sub-section 4 of section 12 of the regulations provides that where a pensioner sells his home and takes the cash and purchases a new home with that cash, instead of our calculating the annuity value of the cash, which he may have put in the bank at any one point, we simply allow

that to be transferred from one property to another property without any alteration in the way in which it is calculated. In other words, it continues to be calculated on the basis of it being in the property used as the home rather than on the basis of it being cash in the bank.

As I understand it, the case you are referring to had a home originally?

Q. Had a farm, yes.—A. That home would be valued on the basis which is set forth in the regulations. The husband dies and his widow realizes \$1,000 from the sale of the farm and invests that in improving the home that she is living in? Is that correct?

Q. Yes, that is right.—A. That \$1,000 would not be charged on the value of the annuity; that \$1,000 would be added to the value of the property and would be included at the fair rental value rate, because that is money that is put back into the property.

Q. Of course, there was a time lapse between the time that she sold the farm and the time she applied for pension. She was not on pension when this machinery was sold but she came on pension later and during the time her application was pending she sold this place and put the money in the bank. She had a small shack of her own in which she pretty nearly froze to death one winter and I persuaded her to take some of this money and fix up this house. They still take from her pension the amount that was paid for repairs of this place. I claim that is wrong but they claim it is right.—A. I outlined the general principle of the regulations, and as I understand it, and I think I am right on that. If it is an individual case that you have in mind, Mr. Ferrie, and you would care to send it to me or Mr. MacFarlane, we will be glad to take it up with the provincial authority.

Mr. BROWN: What province was that in?

Mr. FERRIE: Saskatchewan. They do anything there.

By Dr. Blair:

Q. In Saskatchewan they register a lien against real estate, but it seems to be a different thing if instead of having a house a pensioner has \$2,000 in cash. You permit them to use part of that cash, which they have on hand, but how about the case where the province has a lien against a real property and the value of that is not in money?—A. Some of the provinces file a lien against real property, but I know of no province that files a lien against liquid assets or personal property.

Q. But is there not some discrimination there? Would it be better to have it in the property or have it in cash?—A. Well, there certainly is a difference in some provinces. Of course, they do not file a lien on the real property in every province so in that case you cannot say there is discrimination.

Mr. CROLL: I would say it would be quite impossible to do what Doctor Blair does not suggest but merely indicates could be done. You know nothing at all of his personal assets, they may be in a safety deposit box in a bank or any place, and that is the reason, is it not, that it is not done—filing a lien against personal property?

The WITNESS: And there is another reason that is implicit in the regulations itself: in taking the annuity value of the personal property, you are assuming that the pensioner is eating that capital up as he goes along, whereas in the real property you are not doing that.

Mr. FLEMING: My point is the same as Mr. Ferrie's, and I am interested in following this thing through to a later stage. In the case where a pensioner purchases a property, the problem does not arise, but I would like to test this regulation in a case where a pensioner does not purchase a property, and let us say, as a result of no misbehaviour on the part of the pensioner, the thousand

dollars that he has keeps in a sock in the house. Will any allowance be taken for that fact, or will the pension authorities insist on deducting from his pension the annuity value of that money?

The WITNESS: The only provisions, Mr. Fleming, for diminution of the amount originally set up are those stated in regulation 12; and I might point out that these exceptions, limited as they are, were introduced for the first time into the regulations, at the meeting of 1946.

By Mr. Fleming:

Q. So that in that case the capital is gone and the pensioner has not been at fault; perhaps he is not too well versed in legal matters, and he submits to the deduction from his pension for the lower amount.—A. That is right.

Q. Let us take another case. The rates are based upon the ordinary life expectancy. Now, there are many departures from the average. Let us say that the annuitant lives long after the average expectation of life. In that situation theoretically the capital is all used up, the annuitant has actually used all the cash and it is gone, but is he entitled to supplement the reduced pension, is any allowance made in that situation?—A. The answer to that is that either you have to use the annuity assumption or not. Now, it may be correct to suggest—I do not know whether you were suggesting it or not—that we should not have these calculations based on annuity rates at all; and if that is the case then we should deal on the basis of actual circumstances as we go along from day to day. But as long as we have personal property calculated on the basis of the annuity value of the personal property if converted into a Dominion Government Annuity, then obviously it is necessary for us to adhere to that consistently.

Q. Of course, that is the way it is done if the rule is laid down. I am questioning whether that is the rational method of approach. The whole situation here is based on calculating the amount on the annuity basis which takes the average life expectancy for the individual. That may be an advantage in some cases where the individual does not reach the average life expectancy, but what happens in the case of people who may outlive the average expectation of life by eight or ten or twelve years? They have to go on on a reduced pension which does not bear any relation whatever to their possession of property.—A. Might I give you another example which works in reverse, just to balance the picture. Suppose we have a pensioner who lives on his own resources until he is eighty or eighty-five and then he comes on pension. The regulations provide that account shall be taken of the fact that a man who stayed off pension as long as that should, instead of having his personal property calculated at the annuity rate for age eighty-five, be given the benefit of the annuity rate that would be charged on the basis of age seventy. We say to him: you have shown responsibility, you have tried to stay off pension as long as you could and we therefore will not penalize you by assessing your personal property at the eighty-five age rate, we will give you the benefit of the seventy-year rate, which is more favourable in terms of the pension that may be payable. There again you might say that the annuity valuation basis of calculating income is a completely artificial one, that it works out differently in different cases; but if you are not going to use that particular yardstick then, following your first analogy, you would say now what is the life expectancy of this man at age eighty-five and you would try to work out an income calculation on the basis that would be fair to a pensioner coming on pension at that advanced age. I am simply pointing out that there are various inconsistencies and variations which inevitably arise from the taking of a yardstick such as the Canadian annuity table and applying it across the boards on the basis of the assumption that the pensioner actually did buy this annuity.

Q. You are suggesting in both these things that they balance out because the pensioner in the one case who survives is drawing pension before he has reached the average life expectancy, and therefore, following that, regardless of the number of years he may live beyond the average life expectancy he continues to draw a reduced pension, and in the other case you say it works the other way; that the man who comes on pension after age eighty-five gets the benefit particular case. My observation is respect to that would be this, that we are not of a large pension because the annuity rate is based on age seventy in his particular case. My observation in respect to that would be this, that we are not creating justice in these cases by balancing them out; we are simply from the administrative point of view easing the simplicity of administration, it merely makes administration easier. We are not creating justice in either case at all by taking this arbitrary assumption that a man buys an annuity.—A. I certainly did not want to convey the impression that they balance each other out in individual cases.

Q. No, no, I was not suggesting that. I wondered if we were not putting too much stress upon the advisability of simplicity in administration. I can quite see, Dr. Davidson, that you would have a great deal of administrative work thrown on your shoulders by having all pensions at a flat rate right across the dominion, and that you have to have the closest regard to merits of individual cases; but I suggest we are going too far—I do not know whether you would care to express an opinion on it or not—in the principle of putting administrative case before justice to the individual.

The CHAIRMAN: I would be very much interested, Mr. Fleming, in having from you your point of view.

Mr. FLEMING: I would be glad to discourse on that, but in doing so I would be breaking the rule which you yourself laid down.

The CHAIRMAN: I am not asking you to do that; I am asking you how you could do it otherwise.

Mr. FLEMING: I would be glad to give the committee the benefit of my views on that point, Mr. Chairman, but that is an expression of opinion, a thing which you asked us to refrain from doing.

Mr. CROLL: One answer to that would be the elimination of the means test.

The CHAIRMAN: That is one way, but in a means test program you could not work it out.

Mr. CROLL: That is right, but is there any program under which it could be worked out? Would it work out under your program?

The CHAIRMAN: No, it is not my program. I have told the committee many times that I have an open mind. But I would like to know how he could do it with a means test.

Mr. FLEMING: I would be glad to give you my views on that, sir; but I just point out that you ruled against any expression of opinion from members of the committee.

The CHAIRMAN: Even if it is your opinion I would like you to show us where it would improve justice.

Mr. LAING: I think that is pertinent to the subject. Could we have some indication from Dr. Davidson as to any way in which a more equitable or uniform scheme could be worked out?

The CHAIRMAN: Even if it is your opinion I would like you to show us where it would improve justice.

Mr. LAING: I think that is pertinent to the subject. Could we have some indication from Dr. Davidson as to any way in which a more equitable or uniform scheme could be worked out?

The CHAIRMAN: I was coming to that. That is a good question; but do you not think, Mr. Laing, that if Mr. Fleming has any ideas of a scheme under which more justice could be secured we should have it?

Mr. ROBERTSON: Let him submit a written brief.

The CHAIRMAN: No, not a brief. If he has any views on it I would like to have them.

Mr. FLEMING: I could give them to you, Mr. Chairman, if you were to withdraw your ruling against the expression of opinions by members, if you want to depart from that.

The CHAIRMAN: We are not departing from anything; I am not asking for your opinion, I am just asking for any ideas you may have.

Mr. KNOWLES: You asked him how he could do it retaining the means test; we don't want that.

Mr. CROLL: In any event, he has pointed out that there appear to be serious inconsistencies; suppose we leave it at that.

Mr. FLEMING: I would like to get Dr. Davidson's opinion on the record on the question of administrative simplicity.

The WITNESS: You will remember, Mr. Fleming, that on the first day I did point out that you did not always achieve equity across the board by applying any uniform flat formula. Here is one example that we have of no discrimination in respect to the method of calculating these values, and it is one answer to the rather despairing question which was asked the other day by Mr. Croll in which he wanted examples of where there was uniformity across the board. This is one example where we do have uniformity of regulation, at least as to the formula laid down in the regulations, although the application of the formula is that it works out differently in different cases.

Mr. CROLL: Then we could not say that it is uniform.

The WITNESS: It is a uniform rule of thumb.

Mr. CROLL: Yes, but it works out differently.

The WITNESS: But I can say, Mr. Croll—

Mr. CROLL: Let him finish the statement.

The CHAIRMAN: If you would answer my question I would be very glad.

The WITNESS: All I can say is that one of the inferences at least that I would draw from Mr. Fleming's remark is that in order to get a closer approach to equitable treatment instead of having a federal rule of thumb provided in the form of a regulation that applies across the board we allow a slight degree of discretion to each provincial authority to work out a system in its own province. But even there, while that breaks down the situation to ten provinces, the result is, as I think you have seen from the several examples shown, that the provinces in turn, from administrative necessity to a large extent have to devise some uniform rule of some procedure for working out these rather complicated personal property calculations; and while they may devise one in one province or another in another province and each is uniform within that province, it does still retain within the province a measure of uniformity in application, although from the federal standpoint there may be a certain amount of difference or diversity.

The CHAIRMAN: Now, Mr. Fleming, do you want to give us your ideas?

Mr. FLEMING: I shall be glad to do so, Mr. Chairman, putting them in short form. First, of course, would be the elimination of the means test—I see the Chairman shaking his head, he doesn't want that.

The CHAIRMAN: Oh no, I wasn't shaking my head, I was just nodding to my friend over here.

Mr. FLEMING: Suggestion No. 2 would be the amendment of the regulation or subsection 2 to broaden the scope of that subsection which is now limited to read, "the payment of medical, nursing and hospital care". Take a case where income has been reduced by reason of a reduction of the capital of the pensioner arising through other causes, and wastage of his assets, by reason of something which was not of his own doing.

Mr. MACINNIS: Mr. Chairman, might I ask Mr. Fleming—

The CHAIRMAN: Would you mind letting him finish his statement, please?

Mr. FLEMING: I had in mind, for instance, a man living in a remote area, where he would not be accustomed to keeping his money in a bank, and let us assume that a fire comes along and destroys his cabin, that his house burns—or that the thief comes in the night and steals it from him—cases of that kind where a loss arises through no fault of the pensioner. Or, take another case, and there are cases—I can show you this, Mr. Chairman: a man goes without a pension for a time and he has still a small amount of personal property at the time he goes on pension, but because of the inadequacy of the pension he is not able to live on the pension plus that portion of his capital which will be treated as an annuity payment to him, and then before he has reached the end of his expectation of life he finds himself without any capital, and a number of years later he will find that his capital is out of existence and he is still facing this reduction in his pension.

The WITNESS: May I just say, Mr. Fleming, as I mentioned before, that in 1946 when we amended this regulation 12/1 we put this provision in for the first time. I do not suggest that this was either final or conclusive. I think that I could say that as far as the department is concerned it would be willing to consider with the provinces at the next interprovincial board meeting the desirability of adding items to this list if in the opinion of the provinces and the federal authority there seems to be the need that these provisions should be extended. When this regulation was set up it was set up on an experimental basis, and I quite recognize for my part that if the provinces and the federal authorities find that it is not working out satisfactorily, and that there are legitimate cases in addition to the ones we have here where an extension could be made, that this could be considered at any dominion-provincial board meeting.

Mr. FLEMING: And in the meantime I say frankly to you that you would have to include, of course, in pertinent terms, in section 12, subsection 2, any case where the pensioner survives the average life expectancy age.

Mr. MACINNIS: I think from what Mr. Fleming has said that consideration would also have to be given to subsection 3; but where is the necessity of amending subsection 2 of section 12 for the purpose which he indicates. Why is this necessary when he has already suggested that the objective which he seeks can be accomplished by abolishing the means test?

The CHAIRMAN: Of course, I think it is obvious.

Mr. FLEMING: It was the chairman who asked for the alternative.

Mr. MACINNIS: I think the alternative followed.

Mr. FLEMING: The chairman put it this way: if there were no means test—

Mr. KNOWLES: There would be no committee if we got rid of the means test.

Mr. MACINNIS: We must keep in mind the fact that as long as we have the means test there will be bound to be small injustices or discriminations, whatever you wish to call them. The person who has put his legal assets in a sock, as Mr. Fleming suggested, or has them in a bank, is going to consume those liquid assets because the pension is inadequate for living expenses. Then, you are obviously discriminating against the person who has an annuity because the person who has an annuity cannot consume the annuity in that way.

I have a case somewhat similar to the one which Mr. Ferrie mentioned, of a man who wrote to me a few days ago. He had \$1,400 cash in the bank. There was a deduction, I forget how much—\$2.40 or something like that—made from the pension, and he finds that he cannot live on the pension. He has been nibbling at his \$1,400 so that it is much less than when he made application for and had the pension granted. However, the sum is still considered as being \$1,400. I think that as long as the means test remains there is no possibility of avoiding discrimination of that kind.

The CHAIRMAN: Mr. Ferrie you are next.

Mr. BROWN: Well, I would like to say this, on a point of order: We were going to get on this morning with Australia. We have set down definitely this matter of principle and we know what it is all about. Everyone could raise a half a dozen individual cases but, are we going to gain very much by doing it? Why not proceed with the brief? It is all very interesting, I agree.

The CHAIRMAN: Mr. Brown, I believe this particular matter of personal property is one which is very important in any means test program. We do not know yet where we are going and what we are going to recommend. Suppose that we recommend the keeping of the means test—

Mr. KNOWLES: No, no; perish the thought.

The CHAIRMAN: It is very interesting to know what the implications are. One of the most important points of a means test is personal property and persons receiving payments. I do not think we are losing time; I think it is very important that we go deeply into the matter.

Mr. FLEMING: More important than Australia.

The CHAIRMAN: I think it is.

Mr. CROLL: We ought to understand our own program before we go into other programs.

The CHAIRMAN: Mr. Brown, I agree that—

Mr. BROWN: We will have to adjust our program in this committee, then, to suit the needs of programs of other countries. However, I am satisfied.

The CHAIRMAN: You understand my point?

Mr. BROWN: Yes.

The CHAIRMAN: I believe it is important to know exactly what our program is and how it can be improved.

Mr. SHAW: On a point of order. In my opinion there is nothing more important than what we are doing now, and I am more convinced of it after reading the brief for Australia.

Mr. CROLL: So am I.

Mr. FERRIE: I would like to bring to the attention of this committee just a point or two regarding what happened during the last winter. During the last winter we had terrible weather in western Canada. There were deductions from old age pensions through this annuity scheme, and municipalities had to go out and buy wood and coal for old age pensioners. It was necessary. It was absolutely impossible for most of them to exist on the pension that was paid. The high cost of living was causing that, and the deductions should not have been taken off at all. Those people had just spent this money because they had to live. When some of those people went into those villages or houses to live, they could buy cordwood at \$2.50 but today they pay from \$9 up to \$14. In some of those houses they burn quite a lot of fuel. The houses are very, very poor. They may be clean and good, but they are very poorly built. There is no insulation or anything of that kind and they are old and very cold. It was a terrible winter and these people had to eat into their assets; they had to live.

The CHAIRMAN: Yes, Mr. Ferrie, but what you say would be an argument in favour of increasing the pension. Logically, what you are saying would be an argument in favour of increasing the pension rate, more than an argument for the enlargement of these provisions.

Mr. FERRIE: No, no, no. That may be true, but then you are taking some money from that pension. You are taking the price of the annuity, \$1,000 or \$1,600, whatever it may be, away from the pension.

Mr. SHAW: Did Dr. Davidson care to comment on that before I proceed?

The WITNESS: I do not think I have anything to add to what Mr. Ferrie has said.

Mr. SHAW: Then I have something which I believe is extremely pertinent to this discussion. Let us take the situation as between two provinces, province A, and province B. In province A you have a pension recipient who has \$1,000 in the bank. They compute the annuity value of that \$1,000 and it may have the effect of reducing his pension. Now, in that province there are no medical, dental, optical, or hospital services being provided. The pensioner says to himself, fearing hospitalization, that he must hold that \$1,000 as a guarantee against additional costs that may result through illness.

In province B you have a pensioner with \$1,000 in the bank who says that the province provides medical, dental, optical, and hospital services for himself and his dependents, and they perhaps also pay a bonus of \$10. The pensioner says that he need not fear illness and therefore he need not worry about keeping the \$1,000 and that he can enjoy a slightly higher standard of living while the \$1,000 lasts. He might say that out of his bonus he would set aside enough money over a period to bury himself. The man in the other province where those services are not being provided is further penalized as a consequence of having to hold the \$1,000 because they are computing the annuity value of it. Now, there is the situation as between two provinces. As a consequence of this tax, as it were, upon the personal property, the man referred to in province A gets a kick in the pants a second time.

The CHAIRMAN: You will agree that if he is penalized it is done by the provincial authority?

Mr. SHAW: I do not care who it is done by, but the principle which is employed creates injustices in so far as a great many people are concerned in certain provinces in Canada.

The CHAIRMAN: I would not like to go too far in that field, because, if Mr. Duplessis were here, he would say you were too much in favor of centralization—

Mr. SHAW: I do not care what Mr. Duplessis says.

The CHAIRMAN: But he would say that.

Mr. SHAW: But this is a very real matter which we are faced with today, as far as these particular aspects of our means test are concerned.

The CHAIRMAN: This is not a personal opinion, but do you not think that we have to be careful as far as federal-provincial relations are concerned, and that we must take into account the fact that in certain provinces there is a strong feeling that any social system should remain as pertaining to the province?

Mr. SHAW: I do not see how you could take from what I said that I think otherwise. The modification of the federal regulations under the scheme administered by the provinces does not, in any case, mean that the senior government is going to interfere with the administrative affairs of the province any more than it is doing today.

Mr. KNOWLES: Mr. Shaw simply illustrates what Dr. Davidson already pointed out: that any federal policy applied to provinces in which there are variations, results in variations in those provinces.

Mr. LAING: We have here a system which is carried out financially largely by the federal government, but the payments of which are very heavily qualified by the provincial regulations. So I think it is important that we should realize that. I have endeavoured to study this matter, and I think in the most stern application of the regulations in the various provinces the return to the pensioner should be qualified by at least 25 per cent in the sternest application, one province against another. I think it is important for us to realize that we have here something which is substantially carried by the federal government to the extent of 75 per cent, but which is affected heavily by the applications of the provisions in the provinces.

Mr. KNOWLES: I would like to say just another word about the point which I raised at the start with respect to the use of annuity tables. Dr. Davidson has reminded us that under the federal regulations we give to pensioners with cash assets the advantage of the annuity rate in the sense that we give it to them at the age of 70 in all cases. I believe that came into effect with the regulations of 1946. We give to pensioners that advantage. We give to all people who have been on pension since April, 1948 the advantage of the lower rate and we are giving to people who were on pension prior to April 1948 whose cases have come up for review the advantage of the lower rate in effect since April 1948.

Dr. Davidson even stated the case of the pensioner who was on a basis prior to April 1948 who actually bought an annuity. When his case came up for review he was given the advantage of the lower rate since 1948. It does seem to me that the federal government should go much further and give to all the people who were on pension prior to April 1948 the advantage of these lower rates.

There is one other point I would like to discuss and it is along the lines of the money which was in the sock which was stolen, referred to by Mr. Fleming. Mr. MacFarlane may recall the case because I think he had to deal with it. It was a case of a woman in Manitoba who, I believe, was on pension. One of her sons died in Detroit and left a fairly good sized amount of insurance in favour of his mother. The mother was not able to make the trip down to Detroit which was felt necessary to look after the funeral and so on, so she sent another son, a brother of the deceased. I admit she made a mistake in giving him a power of attorney. He got down there and, if I may say so, I think he was fleeced by the Detroit undertakers. The costs of the funeral were really outlandish; and it may be that the brother spent more money by way of expenses than he should have.

An hon. MEMBER: Perhaps they held a wake.

By Mr. Knowles:

Q. I do not know about that. But at any rate, the result was that the amount of cash that actually got into the possession of this woman was considerably reduced from the amount of the insurance policy.

Now, when the matter was computed, the pension authority in Manitoba felt that it could allow only a stated amount for that funeral, let us say \$250.00 or \$300.00, something to that effect. But it was \$1,000 less than the funeral actually had cost. I know that Mr. McNeill in Manitoba did feel there was some justification for the belief that some adjustment should be made, and I believe he submitted the matter to Mr. MacFarlane, and that Mr. MacFarlane raised the amount to \$350 or \$400. But the woman, in the final analysis, was still considered as having an annuity income from a sum of money equal to \$1,000 which she never saw. This is not a hypothetical case such as the sock of money which was stolen. It is a real case where a woman was fleeced. Maybe it is only one case. But in cases like that, is there any way in which consideration could be given?—A. That brings up the same point that Mr. Fleming raised, and

which I made in reply to Mr. Fleming: that regulation 12 was put in experimentally for the first time in 1946. I would be the last to suggest that it is in perfect form or in final form; and I think that these kinds of situations which the members are bringing forward will be of value to us when we next meet with the provinces in a discussion of what changes should be made in regulation 12 to allow, perhaps, more leeway than is allowed at the present time, under that regulation for certain types of deductions to be made from the original valuations of personal property.

I think the very type of circumstances outlined in these rather unusual cases as cited by Mr. Knowles and by Mr. Fleming shows the complexity of the problem, and shows that if you want to cover every type of remote contingency that might conceivably arise you must say to the provincial authorities: use your discretion completely; do anything, in fact, which you think is reasonable in terms of allowing deductions from the original calculation, in terms of the case as you see it from time to time and which would seem to meet the needs of the present problem.

Before deciding that this is the answer, you must take into account the problem as Mr. Laing has stated it. How far should the federal authority go in providing the bulk of the expenditure and yet leaving an ever larger element of decision in the determination of the amount of expenditure to another authority which bears only a minor share of the cost? Secondly—and perhaps more significantly in social terms—the more you leave the cases to be decided individually, the more you involve the pension authority in an area of personal judgment, of subjective judgment, I might say. In these circumstances the provincial authority, because it has the discretion and the right to decide in certain circumstances what is justice and what is not justice, becomes more and more subject to the charge from the outside that it is making subjective judgments, and that it is seeking to pry into the personal affairs of individuals to find out what the truth of these claims may be and so on. And as I think everyone will recognize, one of the reasons for trying to improve rule-of-thumb procedures is to minimize the area in which the pension authority has to make subjective judgments which may be onerous in individual circumstances. So you are in a difficult situation.

Q. Well, there is only one answer.—A. And the problem that the provinces and the federal authority will have to deal with when they come to a review of section 12 of the regulations is the question: in what way is it desirable, from our mutual points of view, that we should further modify these regulations in stated types of cases so that we will be able to meet substantial justice in most cases. But I believe Mr. Knowles would agree that it would be extremely difficult to write into a regulation of this kind all the individual circumstances that we have been discussing this morning.

Q. Yes, and Mr. Knowles goes further than that, too.

MR. MACNAUGHTON: I suppose that you could argue in the first instance that the mother made a mistake in trusting her son; and secondly, that the son or the relative tried to transfer the burden of that mistake back on to the taxpayers. So it is, as Dr. Davidson has said, a question of justice, and of how far we can provide against mistakes of judgment on the part of every individual in the state? There must be some limit.

By the Chairman:

Q. What would be the effect of the following suggestion on the general cost of a means test system? I suppose you would call this a hypothetical question. But what would be the effect if you just exempted the first \$2,000 of personal property? I do not know myself, but have you got any data on it, or could you obtain any data on it for us?—A. It would be practically impossible to give any sensible estimate of that. I would point out that we have a provision now which

exempts the first \$250 in the case of a single person, and \$500 in the case of a married person. But I have not got the faintest idea what effect that has on costs, and I come back to chart E, and to the fact that as a result of all types of means test calculation, calculations of real property, calculations of board and lodging, and everything all combined, the diminution of the maximum pension paid at the present time amounts to less than \$3. And when Newfoundland comes into the picture with \$40 as from April 1, I think you will find that the figures of average pension paid will go up from \$37.19, somewhere near to \$38. So that as a result of all our means testing procedures at the present time, and all the calculations of outside income, to the fact is that the total decrease of pension is relatively small, somewhere between \$2 and \$3 across the board.

By Mr. Knowles:

Q. Does that not mean that the means test is not so much a factor in the diminution of the pension, as in deferring others from applying?—A. In that connection, I would like to say something which is probably not required by your question but which I think is worth the consideration of the committee. One of the things which has always puzzled me is the fact that such a small percentage of our total pension load consists of partial pensioners. I am not satisfied, in my own mind, that the percentage of partial pensioners on the pension rolls represents the total number of people in Canada who would be eligible for pension on a partial basis at least; the ratio of full to partial pensioners does not seem to bear any relationship to what one would expect to the normal curve of distribution.

Q. It is the psychological deterrent effect rather than the actual dollars and cents.—A. I think there are other reasons than that.

By Mr. Croll:

Q. You think there are "other reasons than that". Please, Doctor, I am very interested. Will you give us some help? We want help here. That is all we are asking.—A. My opinion may be misunderstood, but if the committee will accept that possibility—

Mr. BROWN: Take it off the record.

Mr. CROLL: Let us have it any way at all.

The CHAIRMAN: I believe that Dr. Davidson is the best witness I have ever heard in a committee.

Mr. CROLL: I have a question and I have asked the doctor to answer it. As far as I am concerned, he can answer it on or off the record, but I want the benefit of his knowledge on the point.

Mr. MACINNIS: Before the doctor answers that question I would suggest that he decide to answer just as he pleases; that is to say, he either refuses to answer or answers because in dealing with the matter he is dealing with policy and we should not ask a civil servant to do that.

Mr. CROLL: I am not asking about policy.

The WITNESS: The answer which I would give is a matter of opinion and while I would be glad to tell the individual members privately what I have in my mind, I agree with Mr. MacInnis that as an official statement it is better that I should not give it to the committee.

Mr. BROWN: Could we not have it off the record?

The CHAIRMAN: No, we could not ask the doctor to do that.

Mr. LAING: Mr. Chairman, I think we are about winding up. I think there is one matter I would like to have discussed regarding the question of domicile. There are only a small number of cases concerned in this question of domicile.

I think there were a very small number of refusals on that account, one hundred and five for not sufficient residence, thirteen of them in the province of British Columbia. I have had one or two cases, very small, but I think there is a different basis of decision on the question of domicile. I have in mind a person who was born in Canada. Her husband was with a British financial house and he had to reside in various parts of the country. He went to New Zealand, his wife accompanying him. She was born in Ontario, and she came back almost capable of qualification, but not quite. I think there is point there that is of interest. I think probably the regulations could be modified in part without a great addition in cost. I would like some comment from Dr. Davidson on it.

The WITNESS: Are we finished with personal property, Mr. Chairman?

The CHAIRMAN: I had some more questions on that subject but in the meantime you can answer Mr. Laing's question. We will come back to personal property later.

The WITNESS: My answer briefly is that the residence provisions in the Act, first of all, were modified in the revision made in 1947 to take into account the fact that you might have a person who has lived most of his or her life in Canada but during the last twenty years had been absent for a substantial portion of the time. Therefore we provided in 1947 a compensating factor for the first time in the law itself, which works in such a way that if a person has been say only fifteen years in Canada during the last twenty years, but can show that he can make up on a two for one basis in earlier periods of residence the gap of five years in the later twenty years, that person can now be admitted to pension. Previously, that was not possible at all. So that is one point so far as the Act itself is concerned.

By Mr. Laing:

Q. Are fifteen of the last twenty years required?—A. No, it could be ten or five or any length of time. A person in an extreme case could have lived outside Canada during the last twenty years but if he had lived from the time of his birth up to the age of forty years in Canada he could make up on a two to one basis for the twenty year period required. You come then to regulation 9 (1) which tries to provide first of all some allowance for minor absences within the twenty year period. The Act says that twenty years residence continuously prior to the date of application is a prerequisite of pension. However, the regulations go on to qualify this and to provide that an applicant in that twenty year period can have a total of 1,200 days of absence and still be regarded as having twenty years residence. After this, regulation 9 (2) goes on to provide for persons temporarily absent from Canada in the pursuit of their occupations and for persons who went with their husbands while their husbands were engaged temporarily in other occupations outside Canada. Now, that is as far as we find it is possible to go in working out a regulation that will meet these cases. I am not saying we have gone as far as we could have gone; we have to consider new types of cases from time to time as we have them brought to our attention in the course of the year and discuss them at the next interprovincial board meeting. If the provinces have some types of cases where there is injustice we can consider some change in the regulations to allow for them. For instance, you will note that we have recently made the addition that Canadians might go to international agencies and carry on their work there without jeopardizing their position under the Old Age Pensions Act so far as residence is concerned. We included in 1948 for the first time the provision which you see in the section 9 (2) (f) regarding missionary work with any religious group or organization.

Changes are being made there from time to time and while you could make an endless list of the exceptions without covering the last case which might arise we do try to make provision in that regulation for the type of cases that are most likely to come up.

Mr. LAING: Thank you very much.

The CHAIRMAN: Now, gentlemen, should we go back to the feature of personal property or is it exhausted?

By Dr. Blair:

Q. Before you leave personal property. Going back to this question of means testing, you suggest that where a man has \$2,000 you would allow him to use a certain amount of that for the payment of medical nursing or hospital accounts, funeral expenses of the spouse, but in the case of a man who owns a property with a lien against it, would you withdraw the lien and let him mortgage the property for the same purpose. Otherwise, how could he be enabled to pay the expenses outlined?—A. The questions of liens, Dr. Blair, is entirely a provincial matter. There is nothing in the federal Act or regulations that requires any provincial pension authority to register a lien against the property.

Q. What would the province do in that case?

Mr. CROLL: They do just what you suggest, doctor. We must not put too much emphasis on that lien. I can only speak for the province of Ontario, the administration of which I know best. I do not suppose they collect on one per cent of the liens nor do they attempt to collect. That is their attitude.

Mr. BROWN: It is merely a safeguard?

Mr. CROLL: That is all.

Mr. SHAW: Mr. Chairman, does the doctor know of any regulation that obliges a province in its application form to ask for information concerning the income of each member of the family? That appears in certain of the application forms.

The WITNESS: Mr. Shaw, may I direct your attention to page twelve of this consolidation of the Act and regulations. Regulation 4 sub-section (2) gives the only items which, under federal regulations, have to be put on the provincial application form, and you will find under regulation 4 (2) (d) a provision that the applicant shall state the occupation, income and means of subsistence of the applicant and spouse.

The CHAIRMAN: That is all.

The WITNESS: I am subject to correction on that but as I look it through I fail to see anything in that regulation which, from the federal point of view, requires a province to put any question on the application form relating to income of children.

Mr. SHAW: I am not aware, Mr. Chairman, of any case where the income of a child or son or daughter has had any effect when the final decision was being made but I have often wondered why that appears on some of the forms.

Mr. BENEDICKSON: Does the doctor know which provinces do ask for particulars of income other than the income of pensioner and spouse?

Mr. SHAW: My own province of Alberta is one.

The WITNESS: That question will be answered when we get the application forms from the provinces.

Mr. MACINNIS: I know attempts were made in British Columbia to enforce it at various times but I do not know whether it is operative now or not.

The WITNESS: I think I can throw some light on Mr. Shaw's question. There was prior to 1946 a provision in the regulations which I might say was put in

at an earlier time at the request of the provinces themselves to the effect that in the income calculation the pension authority should take into account, not only the income received from children, but any income that might reasonably be expected to be received from children. I speak subject to correction, but I think that when that provision was put in the regulations there was also put in a provision that on all applications that were made there should be a statement to deal with that regulation; namely a statement requiring information as to the income received from children or their ability to help their parents. I am not absolutely certain whether that was required by the federal regulation or not, but I am clear in my recollection that the federal regulation at one stage did provide for taking into account any income that children might be expected to contribute whether or not they did in actual fact. Now, in 1946, we decided that we would amend the regulation to provide that pension authorities should take into account any income actually contributed by children but that we should dispense with this formula that involved income which might reasonably be expected but which might not in actual fact be forthcoming from the children.

Mr. SHAW: It is conceivable that some of the provinces might still be using the forms that were produced at that time. I repeat what I said before, that I am aware of cases where forms of that kind are being used, I was wondering whether it had been eliminated?

The CHAIRMAN: No, it is still on the forms.

Mr. SHAW: Yes, and the prospective applicant seeing that on the form says: "It is none of your so and so business; and, anyway, I do not ask them that, because they would only tell me it is none of my business", which of course is true.

Mr. KNOWLES: We are still on the personal property section of this memorandum, are we, Mr. Chairman—where we have the three examples there?

The CHAIRMAN: Oh yes.

By Mr. Knowles:

Q. I would like to ask some questions which might involve Dr. Davidson doing some quick arithmetic, but he is pretty good at it.—A. I have shown that my arithmetic has been a bit faulty.

Q. Your arithmetic was all right, doctor, it was your drawing. I want to say quite frankly, Mr. Chairman, that I should like to get clear some examples that were given in the House by the minister. I say that right at the start because I do not want to ask leading questions that might be taken as asking the deputy minister to say something different from what his minister said. The minister said in his speech of March 10 in the House, at page 638 of *Hansard*:

Under the scheme in our country, a single pensioner can have between \$1,400 and \$1,500 in the bank and still draw full pension.

Now, that is one example. Now help me with the arithmetic. I take the \$1,400 and deduct from it \$250 and that leaves \$1,150 to be computed on the basis of the annuity table; is that right?—A. That is right.

Q. You multiply \$1,150 by \$102.35 and that would produce according to my calculation a computed income of \$127.55 a year.—A. According to mine, sir, it is \$117.70.

Q. Maybe my arithmetic is faulty.—A. The breaking point, Mr. Knowles, is a total of \$1,422.

Q. All right, that is between \$1,400 and \$1,500, but it is closer to \$1,400. Now, what is breaking point with respect to the next sentence:

He is not completely debarred unless he had liquid assets in excess roughly of \$6,000, because the calculation is not on the basis of liquid assets but on the basis of income derivable from those assets.

A. The figure we have here, Mr. Knowles, shows that at \$5.995 the pensioner is still entitled to \$1 per month, so it is within a few dollars of that,—about \$6,112 to be exact.

Q. In other words, these statements are correct, but then I am not asking your opinion now.

Mr. BROWN: The table is true then?

The CHAIRMAN: Yes.

Mr. KNOWLES: Technically, es.

By Mr. Knowles:

Q. Then it goes on:

In the case of married pensioners, a man and his wife would have to have liquid assets in Canada of almost \$12,000 before going off pension altogether; and if the wife is under seventy years of age and not on pension, a married man could have close to \$7,000 in the bank without affecting his right to a full pension of \$40.

A. It would be a marginal pension.

Q. \$1 a month?—A. I have not worked it out, it would certainly be a marginal pension.

Q. Now, would you figure that last one, where the wife is under seventy years of age and not on pension? A married man could have close to \$7,000 in the bank without affecting his right to a full pension of \$40? I am not asking you just to test the minister's arithmetic.—A. Here is an example where the husband is seventy and the wife is sixty-five; up to \$7,310 the man is entitled to a full pension of \$480 a year.

Q. Oh, Mr. Chairman, I get it now; that was a honey. What I was misled by was the wording there: if the wife is under seventy years of age and not on pension a married man could have close to \$7,000 in the bank without affecting his right to a full pension of \$40. Apparently I was misled, and I think a great many people were misled by that figure of \$40; they did not take that to be \$40 a year but \$40 a month.—A. No, it was \$480 a year.

The CHAIRMAN: Yes, that is what it is, \$480 a year.

Mr. KNOWLES: He said that?

The WITNESS: Yes.

By Mr. Knowles:

Q. Would you, Dr. Davidson, explain how the calculation is made, taking that \$7,310?—A. The example is shown there in No. 3, Mr. Knowles. We take it at \$7,500. In the \$7,500 example, the annuity for both man and wife is calculated on the basis of age 70. In the \$7,310 example I have just given, the assumption is, as I stated, that the woman is 65: consequently her annuity value is calculated at this younger age.

The CHAIRMAN: Well, gentlemen, I think every member of the committee will agree with me when I extend our thanks for the very able way in which Dr. Davidson has presented his information to us.

Some Hon. MEMBERS: Hear, hear.

Mr. CANNON: Have we finished with Canada now?

The CHAIRMAN: Yes.

Mr. CANNON: There is just one question I would like to ask Dr. Davidson. It may have been gone into before I was put on the committee—I was only put on it yesterday—but in view of the fact that the administration is entirely in the hands of the provincial authorities I would like to ask in view of the fact

that the federal government pays 75 per cent of the pension does the federal department, looking after old age pensions, have any control over the payment by the provincial authorities? Is there any court of appeal, or is it left entirely to the provincial authority?

The CHAIRMAN: We have gone over that.

The WITNESS: That was answered the first day, Mr. Cannon.

Mr. CANNON: What was the answer? Could we have it again?

The WITNESS: The answer is that in terms of refusal of pension, denial of pension, the federal government has no statutory authority, no legal authority, to say to the provincial pension authority: you must pay a pension of this amount to this man because in terms of our income calculation he would be eligible for pension. The federal Act says in effect that if the pension authority chooses to give a pension to a man within the limits provided by the federal Act and regulations we will reimburse the provinces to the extent of 75 per cent as soon as we have satisfied ourselves that the payment made is within the corners of the federal Act and regulations. But I was interested in going over this the other day myself in connection with another matter and I very directly recall the point I discovered. I think it is correct to say that we haven't any legal right to demand permission to examine files of pension cases which have been refused. I do not suggest for a moment that that has ever been denied by the provincial authorities; they are very co-operative in providing us with information about cases on which we make inquiries and we always have ready access to the files in which we are interested nor have they ever refused us such direct access to their files. But if you will turn to section 3, subsection 2, of the Act you will find that the right of the governor-in-council to order examination, inspection and audit of all expenditures of pension cases in the provinces and to examine papers is limited strictly to papers and documents relating to pension payments. So I think in the very narrow, legal point of view that the provinces if they wished to do so, could refuse us access to the files of the kind to which you have referred on the grounds that the federal authority was not legally entitled to examine them, since no payment in respect of them was being claimed by the federal authority.

Mr. CANNON: I suggest, Dr. Davidson, that the committee ought to consider the advisability of making some amendment to the law and to the regulations in order to give the federal government some measure of control. The reason I say that is that it was brought to my attention in my own county during the last election—and I am told and I believe that it happened in other counties—that the provincial authority had a list of old age pensioners and those receiving pensions for the blind. Use was made of those lists to go to see the people and to exert influence on them—you can imagine for what purpose—to influence them to vote. They were told that if they did not vote as they were desired, they might lose their pensions. A lot of people were influenced. I do not say that it happened in every case but, if it did happen at all, there should be some recourse under the law.

Mr. SHAW: Something like the P.F.A. bonus.

Mr. FERRIE: Are we finished with this Act?

The CHAIRMAN: Well, I am in the hands of the committee.

Mr. FERRIE: Then, before we go on to the act of Australia and what is recommended over there, I would like to say one or two things with regard to this committee and to the steering committee. This matter of whether it is possible to get rid of the means test keeps cropping up all the time. We are going to do a lot of arguing and talking about it and my opinion is simply that the steering committee should at once call in all the young people represented

in this country—the organizations. I refer to the young Liberal Association, the young C.C.F. organization and the young Conservative organization; the Manufacturers Association, the churches, and the labour organizations of this country. We should discuss with them that one outstanding feature.

When I went home I talked to all those people—bankers, real estate men—I spoke to all kinds of people on and around the streets. The one outstanding feature that I can see in the whole thing is whether we are willing to get rid of it.

The CHAIRMAN: May I interrupt, Mr. Ferrie. That is a question upon which the committee will have to decide when they report. There is no decision that we can reach now. As far as public opinion is concerned, may I draw your attention to the Gallup poll recently taken and which was published in the Citizen of Saturday last. Fifty per cent of the population, according to that poll, is against the abolition of the means test. I believe that is the answer to what you have said.

That is one very good reason, too, why this committee should go very deeply into the system which may be proposed for the whole of Canada. There is no question of say right away that we should do away with such and such a system.

Mr. FERRIE: Nobody is advocating that.

The CHAIRMAN: You did.

Mr. FERRIE: I did not. If you would wait until I get through—I said that I asked these people and, in the final analysis, the whole thing rests on whether these people are willing to pay.

Mr. LAING: They have all been invited.

Mr. FERRIE: Just a minute. I have asked scores of young people whether they are willing to pay from the age of twenty-one to the age of sixty-five, to have the \$50 a month for ten years—taking into consideration that they would be paid from the age of sixty-five until they depart from this world. I have asked whether they are willing to pay for forty-five years for the benefit of receiving that pension for ten or fifteen years. I think I have had five outstanding men say that they were willing to do so—

The CHAIRMAN: How many?

Mr. FERRIE: Five who were willing to pay all those years for \$50 a month. Now all of the rest of them said no. Now, what is the use of going to all this trouble and fooling around with this Act—and I have no doubt it will be made a real act, unless we come to find out in the end whether the young people in Canada are willing to pay the piper.

Mr. LAING: I think that Mr. Ferrie is substantially advocating that people and organizations should be invited to make representations here. That has been done, I submit. In the case of provinces there were specific invitations and, in the case of the others, general invitations by the press.

Mr. SHAW: All I wish to mention is that Mr. Ferrie listed three political parties. After he has called them and has got nowhere, he can call the Social Credit people.

The CHAIRMAN: Just a moment, gentlemen. I believe that I should tell Dr. Davidson that the committee members are grateful for the very enlightening testimony he has given.

Again, without making any undue comparison, I might say that I have attended a lot of committees here and heard a lot of witnesses, and I believe, Doctor, that you have been the best that I have heard.

Some Hon. MEMBERS: Hear, hear.

Mr. SHAW: We have had five sittings of the committee this week, in keeping with the recommendation of the steering committee. Would we not be able to hold five sittings without sitting in the afternoons except on Wednesdays? This is interfering with our work in the House. We would still have Mondays and Fridays, days on which I do not go home.

The CHAIRMAN: Neither do I. That is a question for the steering committee, which will meet next week.

Mr. KNOWLES: Will you consider the point?

The CHAIRMAN: You are on the steering committee.

Mr. KNOWLES: No, I am not.

The CHAIRMAN: Perhaps you would ask Mr. MacInnis to take it up.

The meeting adjourned to meet again this afternoon, Thursday, April 20, 1950, at 4.00 p.m.

AFTERNOON SITTING

The committee resumed at 4.00 p.m.

The CHAIRMAN: Gentlemen, I see a quorum. We have with us, Mr. J. W. Willard, research director, Department of National Health and Welfare. Mr. Willard is also research adviser to the Committee.

I think the members of the committee have read the statement regarding the system in Australia and I will ask Mr. Willard to tell the committee how he intends to divide his statement so that after a certain phase or section has been covered there may be questions.

Mr. J. W. Willard, Research Director, Department of National Health and Welfare called:

The WITNESS: Mr. Chairman, and members of the committee. Before I do that, I might just preface my remarks by saying that the memorandum you have before you was prepared by the research division of the Department of National Health and Welfare. It is one in a series of memoranda which are being prepared for this committee. You will note that it is memorandum number 3. Memorandum number 2 will be a bulletin on Old Age Income Security in New Zealand. Memorandum number 4 will be a report on Great Britain, and number 5 will discuss programs in the United States. We hope, also, to prepare other material on selected European countries as suggested by the committee.

(The committee adjourned for a division in the House.)

(The committee resumed.)

The CHAIRMAN: Gentlemen, I see a quorum.

Mr. ROBERTSON: Mr. Chairman, I would propose that this memorandum number 3 be printed in the evidence.

OLD AGE INCOME SECURITY PROGRAMS
AUSTRALIA

Memorandum No. 3, Social Security Series

RESEARCH DIVISION

DEPARTMENT OF NATIONAL HEALTH AND WELFARE

OTTAWA

MARCH 1950

I. INTRODUCTION

Prior to the federation of the Australian states in 1901, several of them had been considering invalid and old age pensions. The introduction of old age pensions in New Zealand in 1898 and the interest of certain states in the same subject was reflected in the constitution of the commonwealth which specifically granted to the federal government the power to make laws with respect to invalid and old age pensions.

Soon after confederation, the states of Victoria and New South Wales introduced old age pensions. However, in 1908 the Commonwealth Invalid and Old Age Pensions Act was passed, superseding the state schemes then in operation. The pension was £26 a year while the permissible income was also £26 a year. During the next 38 years the means test and pension rate were liberalized many times, although during the depression years two reductions were made in the rate of pension. On two occasions provisions for adjusting the pension to changes in a cost of living index were introduced and subsequently repealed. By 1948, the pension rate had been increased to £110/10/—a year (\$272·94)¹, the permissible income to £78 a year (\$192·66)¹ and the property limitation to £750 (\$1,852·50).¹

In July 1938, the commonwealth parliament passed the National Health and Pension Insurance Bill which provided for a co-ordinated system of health insurance and old age pensions. The scheme provided for compulsory insurance of persons, between the age of 14 and the pensionable age, who worked for an employer and whose earnings did not exceed £7 a week. The Act excluded various classes, such as farmers, and self-employed persons. Contributions were divided equally between employees and employers, with supplementary payments to be made to the fund from the commonwealth treasury. A flat rate pension, of £1 a week for a husband and 15s. a week for his wife, was to be provided to women at 60 and men at 65. There was considerable opposition to this insurance measure, principally because of the method of financing adopted but also because it did not provide universal coverage. With the advent of war, the legislation was never proclaimed.

The means test old age pensions (or age pensions as they are called in Australia) therefore continued in effect. They are one of a number of social services provided under a co-ordinated social security program. In 1947, the Social Services Consolidation Act put into one legislative document the laws relating to the provision of certain social services, without reference to their financing. These schemes include: age and invalid pensions with allowances to the wives and unendowed children of invalid pensioners; funeral benefits for deceased age and invalid pensioners; widows' pensions; maternity allowances; child endowment (family allowances); unemployment and sickness benefits; and rehabilitation allowances.

¹ The current rate of exchange is \$2.47 in Canadian dollars for an Australian pound. This exchange rate is helpful in indicating what an Australian cash benefit would provide if the benefit were paid to a beneficiary in Canada and is the only yardstick available for translating the cash benefit in Canadian terms. It does not, however, measure in Canadian terms the actual purchasing power of an Australian cash benefit expended in Australia. Such a comparison involves not only the amount of the cash benefit but also the relation of that cash benefit to price levels and consumption patterns.

Maternity allowances and child endowment (family allowances) are the only cash benefits free of a means test. No public request has yet become vocal for the removal of the means test on all social services, but there have been strong demands for its removal from the age pension, demands which have increased considerably since the institution in 1946 of a social services contribution.

At the present time, Australia is one of several countries, including Canada, Denmark, Norway, Spain and the Union of South Africa, that provide old age pensions only on a means test basis. Three of these countries, Canada, Denmark, and the Union of South Africa, finance the schemes wholly from general revenue while Norway depends upon earmarked taxes supplemented by general revenue.

Social services in Australia were also financed directly from general revenue for many years. However, at the present time all cash benefits, including old age pensions, together with health benefits, are financed from a National Welfare Fund which derives its revenue from a graduated social services contribution payable by individuals and private companies and from a pay-roll tax on employers.

The Social Services Department administers the monetary benefit schemes and the training and rehabilitation program for invalid pensioners, while the hospital, tuberculosis and pharmaceutical benefits are under the supervision of the Health Department. The collection of the social services contribution and of the pay-roll tax for the National Welfare Fund is the responsibility of the Commissioner of Taxation of the Treasury Department.

The provision of old age income security in Australia should be considered in reference to its social and economic background. Australia is one of the largest countries of the world with an area equally 80 per cent of that of Canada. Nearly 40 per cent of the area of Australia lies in the tropical zone in which, however, considerably less than 20 per cent of the population resides. In 1949, Australia had a population of about 7·8 million compared to about 13·5 million for Canada.

In age distribution, the population is not unlike that of Canada. Approximately 24·1 per cent of its population was under age 15 in 1941; in the same year for Canada the percentage was 27·8, indicating a slightly higher proportion of children. About 6·5 per cent of the Australian population was age 65 and over in 1933; this figure rose to 7·4 per cent in 1941. For the same age group for Canada the figures were 5·6 and 6·7 for 1931 and 1941, respectively. The increasing proportion of older persons in the population has important implications for the future costs of old age income security.

Australia has a comparatively homogeneous population of European origin, with aborigines representing about 1 per cent. The majority of the people live in urban centres and rely upon wages and salaries for income. About 68·9 per cent of the population lived in urban areas in 1947 while wages and salaries was the largest item, 56 per cent, of personal income in 1948-49. In Canada, wages and salaries constituted about 59 per cent of personal income in 1948.

The Australian economy is still largely devoted to agriculture and other primary sources of production, although in 1947-48 the value of the product of all factories was nearly one half the estimated net value of all production. In 1948-49 the value of agricultural products constituted about 90 per cent of all exports of the country, in return for which the largest volume of imports was textiles, machinery and other manufactured goods. Living standards of the country, as well as the social security program may be favourably or unfavourably affected by fluctuations in world prices for agricultural products which form an important factor in the Australian economy.

Australia was one of the pioneers in the adopting of non-contributory means test old age pensions. While many countries in the world had, by 1949, replaced or supplemented their means test old age programs with compulsory and contributory old age insurance, Australia along with such countries as Canada, Denmark, Norway and South Africa had retained the means test pension as its income maintenance program for the aged. In recent years, the old age pension in Australia has become an integral part of a comprehensive system of income maintenance programs. These measures are federally administered and financed through a National Welfare Fund which receives its revenue from two earmarked taxes, a social services contribution and a levy payrolls.

II Age Pension

Age pensions are provided on a means test basis to males age 65 years and over and females age 60 and over subject to qualifications of residence, citizenship and character.

Old age pensions were introduced by the commonwealth government in 1909¹. The maximum pension payable was £26 a year while the allowable income was an additional £26. In the following year invalids' pensions were introduced and all subsequent changes in the rate of age pensions have applied to the invalids' pensions as well. During the next decade and a half the pension was increased four times so that in 1925 the pension was £52 per year and permissible income £32/10/- per year.

Pensions were reduced during the depression years. In 1931 the rate was lowered to £45/10/- per year and in 1932 provision was made for reducing the rate to £39 per year if the pensioner had an income of not less than £6/10/- per annum. This provision was removed the following year and a system of cost of living adjustments was introduced. By 1937, the 1925 level of £52 per year had been restored through cost of living adjustments and by government action to increase the maximum rate.

The provisions for cost of living adjustments were repealed in September 1937, reintroduced in 1940, and repealed again in 1944. From 1941 to 1943, there were seven increases and one decrease in the pension rate resulting from cost of living adjustments and, in addition, three upward adjustments of the rate were made by the government, so that by 1944 the pension rate stood at £70/4/- per year.

There was an increase in the pension rate in 1945, and a further increase in 1947 brought the rate to £97/10/- per year. In 1946, the other income allowable was increased, for the first time since 1923, to £50 per year. In 1948, the maximum pension was increased to £110/10/- per year and the allowable income to £78 per year, the rates now in effect. From 1911 to 1949 the average fortnightly pension rate climbed from 19/1 to 81/5 while the maximum rate rose from 20/- to 85/-.

The steady increase, both absolutely and relatively, in the number of recipients of old age pensions is largely a reflection of the liberalization of the pension scheme and the ageing of the population. From 1911 to 1949 the number rose from 75,502 to 321,327, a fourfold increase over the period. The number of pensioners per 10,000 population rose from 168 in 1911 to 406 in 1949. There has been some increase in the rate of participation in the pension scheme. For the census years 1921, 1933, and 1947, age pensioners represented 32·2 per cent, 32·5 per cent, and 37·9 per cent² respectively, of the total population of eligible

¹ The Commonwealth Invalid and Old Age Pension Act was passed in 1908 and the old age scheme was put into operation the following year.

² From 1940 on, invalid pensioners who qualified for age pensions by reasons of age and residence have been included on the age pensions list. If these invalid pensioners are excluded, the figure for 1947 would drop from 37·9 per cent to approximately 34 per cent.

pension age. Data on total number of pensioners, number per 10,000 population, average fortnightly pension rate and maximum fortnightly rate for selected years are shown in Appendix I.

1. *Income Qualifications*

A single pensioner may have other income of £78 per annum while receiving the maximum pension of £110/10/- per annum, that is, a total of £188/10/-. If income other than pension exceeds £78 per annum, the pension is reduced by the amount of the excess. The definition of allowable income is set out in Appendix II.

Where both husband and wife are eligible for age pension, they may each receive a pension of £110/10/- annually, while each may have other income of £78 per annum. This provides the couple with a maximum income from all sources of £377.

Where only one of a married couple is eligible for an age pension, the couple may have a pension of £110/10/- annually and other income £156 annually, that is, a maximum income of £266/10/-.

2. *Property Qualifications*

Persons with property valued at over £750 are not eligible for an age pension¹. For pensioners with property valued at £750 or less, the annual rate of pension is reduced by £1 for every complete £10 by which the net value of the property of the pensioner exceeds £100 and does not exceed £450, and by £2 for every complete £10 of the remainder of the net value of the property. The types of property which are disregarded for purposes of calculating the pension are listed in Appendix III.

Appendix IV shows the effects of varying amounts of allowable income and property on the rate of age pension for a single person. Appendix V gives corresponding figures for a married couple when one spouse is eligible, while Appendix VI sets out similar data for a married couple, both of whom are eligible.

3. *Residence and Citizenship Qualifications*

In order to qualify for an age pension, the applicant is required to have resided in Australia continuously for a period of at least 20 years, which need not be immediately preceding the date of application for pension.

Periods of absence from Australia, in certain circumstances, count as residence. These include: absences due to war; absences during which the claimant was a resident of Australia for income tax purposes; and occasional absences not exceeding in aggregate 10 per cent of the total period of residence including those absences. An applicant may also count for purpose of residence qualification any temporary absences from the country during which his home remained in Australia; in the case of a married man, this concession applies only if, during his absence, he maintained his wife and children.

Citizenship is a qualification for age pension, except in the case of women who, before their marriage, were British subjects.

4. *Character Qualifications*

Prominent in the earlier laws for old age pensions in countries such as Australia and New Zealand were moral conditions which provided pensions only to individuals considered worthy. In Australia this requirement has been carried into present day legislation. Anyone who is not of good character or not

¹ For a married couple, the amount is £1,500.

deserving of a pension is disqualified. Also, the applicant must not have deserted his wife, or failed to provide for his wife or children, for the six months' period preceding the application for pension. In some countries, such as Canada and South Africa, the old age pension laws have no character qualifications, while, in the old age pension legislation in Great Britain, the same type of qualification was found, after a few years, to be impracticable and was abolished.

5. *Age Pensions in Relation to Other Programs*

Invalid Pensioners: Invalid pensioners who qualify by age and residence are transferred to the age pension rolls.

Aged Blind Pensioners. For a permanently blind person who is qualified to receive either an age or invalid pension, the maximum pension payable remains the same but larger amounts of allowable income are permitted.

Aboriginal Natives. Age pensions may be paid to aboriginal natives who have been granted exemption from state laws. Those who have not been granted such an exemption may be eligible for the age pension if they are considered to be suitable persons. The pension is payable to the native or, where considered desirable, to the state agency controlling the affairs of these natives.

Funeral Benefits. A funeral benefit of £10 or the cost of the funeral, whichever is the smaller, is payable with respect to a deceased old age or invalid pensioner.

War Pensions: War pensions are considered as part of the permissible income of an age pensioner.

6. *Experience in Adjusting Pension Rate with Changes in Cost of Living.*

In an attempt to ensure more stable purchasing power for pensioners, the technique of adjusting the pension rate to the changes in a cost of living index was, on two occasions, incorporated in the Australian age pension scheme. In each instance, however, the provisions for the operation of the technique were subsequently repealed.

Provisions for thus varying the pension rate were first introduced in October, 1933, and the index used was the weighted average for the capital cities of the six states. The pension was not to fall below the existing level, 17/6 weekly, or to rise above 20/- weekly. The rate of pension was to be determined annually with reference to the price index number for the first three months of the calendar year.

The first adjustment occurred in July 1935 when the pension was increased from 17/6 to 18/- per week. In September 1936, the scale of adjustments was varied, with the result that there was an immediate pension increase to 19/- per week. In September of the following year, the cost of living provisions were repealed and the maximum rate was increased to 20/- per week.

After the outbreak of the war in 1939 the cost of living began to increase fairly rapidly. Representations were received both from individuals and from organizations of pensioners, requesting an increase in the pension to offset rising living costs. In December 1940, the pension was increased to 21/- per week and was again related to changes in the cost of living index, with the condition that the rate was not to fall below 21/- per week. The index which was used included all items, that is, food and groceries, housing, clothing and miscellaneous. For each variation of 23 points in the index number there was to be a variation of 6d. per week in the amount of pension. The adjustments were to be calculated quarterly on the basis of the index number for the preceding quarter.

By April 1942, the pension had risen to 24/- per week through the operation of the cost of living adjustment and one increase by government action. In May 1942, the pension was again increased to 25/- per week by amending legislation and at the same time provision was made for a new scale of adjustments by which the pension would be increased by 6d. per week for every 21 units by which the price index number exceeded the figure for the March quarter 1942. The pension was not to fall below 25/- per week. From the first of October 1942 to the end of November 1943 there were four increases followed by a decrease, all due to changes in the cost of living index, which brought the rate to 26/6 weekly.

This reduction of 6d. weekly had strong repercussions throughout the country. It was argued that the slight fall in the price index number was not felt by those who were dependent on old age and invalids' pensions and that the reduction had caused hardship and created anomalies. The government appointed a sub-committee of the cabinet to investigate the situation and as a result of its report the pension rate was restored to 27/- weekly. Within a few months the cost of living adjustment provision was repealed.

In speaking on the Invalid and Old Age Pensions Bill, 1944, which abolished the cost of living adjustments to the old age pensions, the attorney-general outlined the following reasons for requesting their removal. Any automatic system of adjusting pensions to the cost of living index was of an arbitrary nature. For example, a reduction of 1 per cent in the index caused a reduction of nearly 2 per cent in the pension rate and the cost of living figures in one part of the country actually increased when at the same time there was only a small rise or even a downward trend in other parts of the country. He also pointed out that the pensioners as a class lived at such a low level that they "would suffer by the loss of a shilling where the loss of pounds would not distress others". Further, he stated that the adjustment of the pension rate of the cost of living index caused considerable administrative work.

III FINANCING THE PROGRAM

1. *National Welfare Fund*

For many years all federal social services, including age pensions were financed directly from consolidated revenue. However, in 1941 a 2½ per cent pay-roll tax was introduced for the purpose of partly financing the child endowment scheme (family allowances). In 1943, the commonwealth government established a National Welfare Fund into which was paid £30 million annually or one-quarter of the income tax paid by individuals, whichever was the lesser. During the fiscal years¹ 1943-44 and 1944-45 only funeral benefits and maternity allowances were paid from the fund. As a result, a considerable balance, over £53 million, had been built up by July, 1945.

In the fall of 1945, the commonwealth government considered that the increasing outlay on social services, representing at that time nearly one-half of all non-war expenditures, made essential a new financial approach. Accordingly, under the new financial arrangements of that year, the government established a unified pattern for all social services by incorporating all social service expenditures, including health benefits, under the National Welfare Fund.

Commencing January 1, 1946, revenue for the National Welfare Fund was obtained from a new social services contribution, which is levied on income, and from the existing 2½ per cent pay-roll tax. These changes provided for a clearer picture of the scope and cost of social services in relation to national finances as a whole. Both the social services contribution and the pay-roll tax are first paid into consolidated revenue and then appropriated to the National Welfare Fund.

¹ The fiscal year of the commonwealth government ends on June 30th.

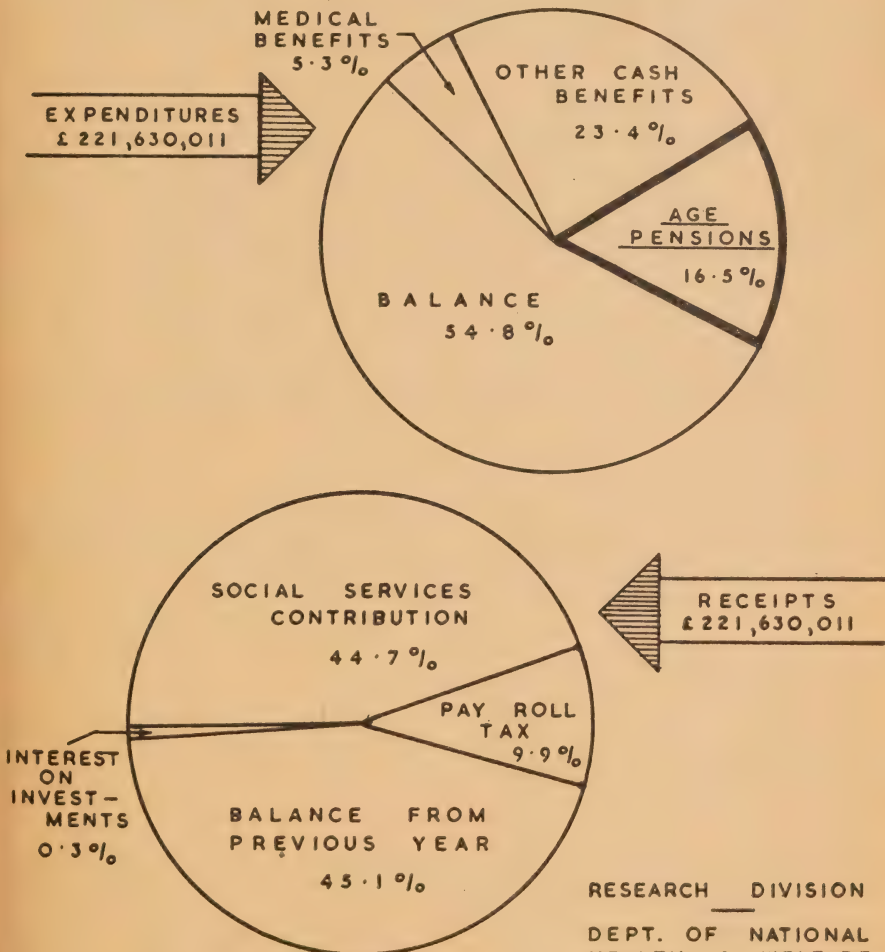
The social services contribution is a much more important source of revenue than the pay-roll tax, yielding about $4\frac{1}{2}$ times as much revenue. For the fiscal year 1949-50, it is estimated that the revenue for the National Welfare Fund will be as follows:

Receipts	Amount	Per Cent
Social services contribution	£ 99,000,000	44.7
Pay-roll tax	22,000,000	9.9
Interest on investments	750,000	0.3
Balance from previous year	99,880,000	45.1
TOTAL	£221,630,000	100.0

AUSTRALIA

NATIONAL WELFARE FUND

ESTIMATE FOR 1949-50



This information together with the main expenditure areas is shown graphically in the accompanying chart. Based on the estimates for 1949-50, expenditures on age pensions form 16·5 per cent of National Welfare Fund expenditures.

Appendix VII shows the receipts and expenditures of the National Welfare Fund for all years since its inception in 1943, with estimates for the fiscal year 1949-50. Even though expenditures have grown rapidly as a greater number of benefits have been financed through the fund and as the scope of social services has been extended, a large reserve has been built up which now approximates the annual revenue from the social services contribution. The reserve in the Fund has increased from £25,525,000 in 1944-45 to £99,880,000 in 1948-49 or a rise of almost fourfold in five years. By the end of the fiscal year 1949-50 the balance may reach £121 million, an increase of some £20 million or 21 per cent in the year.

The building up of this large reserve is in contrast to the reserve in the Social Security Fund in New Zealand, which is a small contingency reserve that has been kept at almost a constant level for a number of years. Another point of difference is the absence to date of any subsidy to the Australian National Welfare Fund from consolidated revenue; in New Zealand, large sums have been allocated annually from general revenues to the Social Security Fund.

Age and invalid pensions are by far the most costly social services programs in Australia, with child endowment (family allowances) the next largest expenditure. In 1938-39, age and invalid pension expenditures constituted £15,992,000 of the total social services expenditure of £16,429,000. In 1949-50, it is estimated that £45·5 million¹ will be expended on these pensions out of a total expenditure of £100·4 million on all social services. Appendix VIII gives data on expenditures on social services by type of service for the fiscal years 1938-39 to 1948-49, with estimates for 1949-50. In Australia about 45 per cent of expenditures on social services will be paid out in 1949-50 in age and invalid pensions, and in New Zealand about 41 per cent of the outlays on social security benefits will be expended on superannuation, age and invalid benefits.

2. Social Services Contribution

The social services contribution rises from 3 pence in the pound, or 1¼ per cent, to a maximum of 1/6 in the pound, or 7½ per cent, on contributable income. The contribution is payable by individuals and private companies.² For individuals it is a graduated tax on income, while for private companies it is equal to the social services contribution which would have been paid by the shareholders on the company's undistributed income.

The exemption levels for the social services contribution have always been lower than for income taxes. The points of income at which social services contributions and income taxes first become payable are shown below for certain categories of dependent status.

¹ While no official figures appear to be available for the expenditure on age pensions as distinct from invalid pensions, an estimate, based on the relative numbers of invalid and age pensioners, indicates that about 80 per cent, or about £36 million, will be spent on the age pension only.

² A private company is defined as a company under the control of not more than seven persons and which is not a company in which the public are substantially interested or a subsidiary of a public company.

Dependent status	Annual Income at which Social Services contribution is first payable	Annual income at which income Tax is first Payable ⁽¹⁾
	£	£
Without dependents.....	105	501
With dependent wife.....	201	650
Man and wife and one child.....	284	754
Man and wife and two children.....	318	813
“ three “.....	351	852
“ four “.....	401	904
“ five “.....	451	956

¹ Based upon the schedule, effective July 1, 1949, used by an employer in making weekly instalment deductions for the collection of income tax and social services contribution. Annual figures calculated from a weekly table are only approximate.

For the fiscal year 1949-50 it has been estimated that there will be less than 750,000 persons paying income tax in addition to the social services contribution, while slightly over 2,000,000 persons will be liable for the contribution only. Thus it is seen that the financing of social services in Australia rests on a broad base; over one third of the population pays into the National Welfare Fund through the social services contribution. Numbers of persons paying social services contribution only and of those also paying income tax are shown for the years 1945-46 to 1949-50 in the accompanying chart.

As a source of revenue the social services contribution is exceeded only by all income taxes but not by the field of personal income tax alone. For 1949-50 the estimated yield from personal income tax is £96 million while it is expected that £99 million will be collected by the social services contribution. Revenues of the commonwealth government for 1948-49, with estimates for 1949-50, are shown in appendix IX.

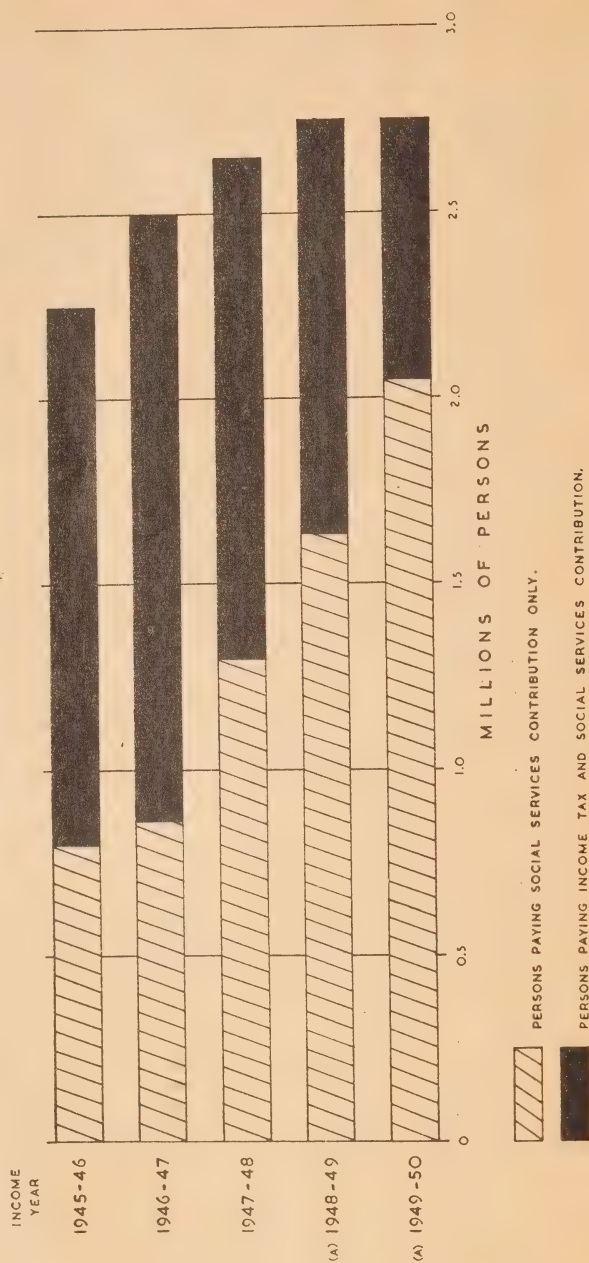
The tax and contribution year corresponds to the fiscal year ending June 30th. All individuals with incomes in excess of £104 annually are required to file their income returns by the 31st of July in each year (31st of August for business incomes). Notices of assessment are usually sent out between January and June of the next year.

Employers are required to deduct both income tax and the social services contribution, where applicable, from each payment of wages and salaries to an employee. Under the group plan for making deductions, which covers most employers of over ten persons, the amount deducted is remitted to the taxation department and, after the 30th of June, each employee is given a certificate by his employer showing the amount of deductions made. This certificate is presented at the time the income return is filed to indicate how much tax has already been paid.

Employers with a small number of employees use a stamp deduction card. This card comes in two parts. Every four weeks the employer purchases stamps, also in two parts, for the amount of deductions made each pay day, and puts one stamp on each half of the card. At the end of the year the employer gives the employee half the card and sends the other half to the taxation department.

Employers, the self-employed, and non-employed persons, with incomes in excess of £104 annually, make a provisional payment of current income tax and social services contribution at the time the assessment for the previous year is being adjusted. One year later, when the same procedure is followed for the second year, an adjustment based on the actual income is made for the first year's payment.

NUMBER OF PERSONS LIABLE TO PAY INCOME TAX
AND/OR SOCIAL SERVICES CONTRIBUTION
AUSTRALIA 1945-46 TO 1949-50



(A) ESTIMATES - SUBJECT TO REVISION.

IV. Administration

The Commonwealth Department of Social Services, which was established in 1939 administers the various cash benefit programs, including age pensions, provided under the Social Services Consolidation Act. Serving under the Minister for Social Services is the Director General of Social Services who is the chief administrative officer. He is assisted by a deputy director-general and three assistant directors-general. One assistant director-general is concerned with policy and legislation, one with finance and the third with benefits.

In addition to the central office there are six state headquarters. At these offices, which are located at the state capitals, there is a director of social services who is responsible to the director-general.

Regional offices are established in certain country areas and the registrar of social services in each such office is responsible to the director at the state headquarters. The registrar has the power to receive and investigate claims for all pensions and benefits and, in the case of some benefits, to authorize payment.

Applicants for age pensions apply for benefit to the director of social services in the state or to the nearest registrar of social services.

APPENDICES

Appendix I

AGE PENSIONS SUMMARY. AUSTRALIA. SELECTED YEARS 1911 to 1949.

Year ended June 30	Number of pensioners		Fortnightly rate (a)	
	Total	Per 10,000 population	Average	
			s. d.	s. d.
1911.....	75,502	168	19 1	20 0
1915.....	90,892	182	19 5	20 0
1920.....	99,170	185	29 1	30 0
1925.....	117,516	198	33 8	35 0
1930.....	155,196	240	38 5	40 0
1935.....	197,126	293	33 7	35 0
1940(b).....	272,896	388	38 6	40 0
1945.....	252,634	342	51 5	54 0
1946.....	264,826	355	62 8	65 0
1947.....	290,173	383	62 8	65 0
1948.....	302,854	393	71 11	75 0
1949.....	321,327	406	81 5	85 0

Source: AUSTRALIA QUARTERLY SUMMARY, JUNE, 1949.

(a) Includes adjustment to cost of living price indices.

(b) At June 30, and subsequently, all invalid pensioners qualified for age pension by age and residence were transferred to age pension list.

Appendix II

Definition of Allowable Income

Allowable income is defined as personal earnings, moneys, valuable consideration or profits earned, derived or received for a person's own use or benefit, by any means from any source within or outside Australia. It includes any periodical payment or benefit by way of gift or allowance from a person (other than the father, mother, son or daughter of the person) but excludes certain specified items such as: payments from a friendly society; payments in respect of illness, infirmity or old age from any trade union; the value of food relief or like aid granted under any state law; maternity allowances, child endowment, hospital benefits, pharmaceutical benefits, and tuberculosis benefits. The income of a husband or wife is deemed to be half the total income of both.

In the calculation of income, the value of free board and lodging is assessed at £32/10/- per annum. Where a child under 16 years is dependent on a person, income of that person is reduced by £26 per annum, less any sums received by the person in respect of the child.

Appendix III

Definition of Property

Property includes all real or personal property as, for example, houses or land or interests therein, money in a bank or invested or lent to any person, bonds, shares in companies, interests in estates of deceased persons, livestock.

However, in determining the value of property the following factors are disregarded: the value of a permanent home owned by the pensioner or by his spouse; the value of any furniture and personal effects; the surrender value, not exceeding £200, of life insurance policies; the capital value of any life interest or annuity; the value of any contingent interest; the present value, not exceeding £500, of any reversionary interest; the value of any property (not being a contingent or reversionary interest) to which a person is entitled from an estate but which has not been received; the amount of any war gratuity under the War Gratuity Acts of 1920 or 1945.

In computing the value of property, the amount of any lawful encumbrance, other than on those items which are disregarded, is deducted. The value of the property of a husband or wife is taken to be one half the value of the property of the husband and wife combined.

Insurance moneys which have been received with respect to the damage or destruction of a permanent home, owned by the pensioner or his spouse, and which are used for its repair or in building a new home, may be ignored, if the authorities so wish, in determining the rate of pension.

Appendix IV

EFFECTS OF INCOME AND PROPERTY QUALIFICATIONS ON AMOUNT OF AGE PENSION, SINGLE PENSIONER

(Annual Values)

A—ALLOWABLE INCOME

Allowable income	Age pension	Total income
£	£	£
Nil	110/10/-	110/10/-
20	110/10/-	130/10/-
40	110/10/-	160/10/-
60	110/10/-	170/10/-
78	110/10/-	188/10/-
100	88/10/-	188/10/-
120	68/10/-	188/10/-
140	48/10/-	188/10/-
160	28/10/-	188/10/-
188/10/-	Nil	188/10/-

B—PROPERTY

Property value	Reduction of pension due to property
£	£
109 or less	Nil
150	5
250	15
450	35
550	55
650	75
750	101/10/-

For illustration: a pensioner with allowable income of £100 annually and with property valued at £450 would receive a pension of £88/10/- less £35, or £53/10/- annually.

Appendix V

EFFECTS OF INCOME AND PROPERTY QUALIFICATIONS ON AMOUNT
OF AGE PENSION, MARRIED COUPLE—ONE SPOUSE ELIGIBLE

(Annual Values)

A—ALLOWABLE INCOME

Allowable income of couple	Age pension of spouse	Total income of couple
£	£	£
Nil	110/10/-	110/10/-
50	110/10/-	160/10/-
100	110/10/-	210/10/-
150	110/10/-	260/10/-
156	110/10/-	266/10/-
200	66/10/-	266/10/-
220	46/10/-	266/10/-
230	36/10/-	266/10/-
240	26/10/-	266/10/-
266/10/-	Nil	266/10/-

B—PROPERTY

Value of property of couple	Reduction of pension due to property
£	£
218 or less	Nil
300	5
500	15
900	35
1,100	55
1,300	75
1,500	110/10/-

For illustration: a married pensioner, with his spouse not eligible for pension, with allowable income of £200 for the couple and with the property of the couple valued at £900, would receive a pension of £66/10/- less £35, or £31/10/- annually.

Appendix VI

EFFECTS OF INCOME AND PROPERTY QUALIFICATIONS ON AMOUNT OF AGE PENSIONS, MARRIED COUPLE—BOTH ELIGIBLE

(Annual Values)

A—ALLOWABLE INCOME

Allowable income of couple	Age pension of each	Total income of couple
£	£	£
Nil	110/10/-	221/-/-
50	110/10/-	271/-/-
150	110/10/-	371/-/-
156	110/10/-	377/-/-
200	88/10/-	377/-/-
250	63/10/-	377/-/-
300	38/10/-	377/-/-
350	13/10/-	377/-/-
377	Nil	377/-/-

B—PROPERTY

Value of property of couple	Reduction of each pension due to property
£	£
218 or less	Nil
300	5
500	15
900	35
1,100	55
1,300	75
1,500	110/10/-

For illustration: when a married couple both of whom are eligible for pension have, between them allowable income of £200 and property valued at £900, each would receive a pension of £88/10/- less £35 or £53/10/- annually.

Appendix VII

OPERATIONS OF NATIONAL WELFARE FUND, AUSTRALIA 1943-44 TO 1949-50

(In £ 000)

Item	1943-44	1944-45	1945-46	1946-47	1947-48	1948-49	1949-50 estimate
1. Balance from previous year		25,525	53,074	46,914	49,994	69,928	99,880
2. Appropriation from Consolidated Revenue:							
(a) Social Services Contribution			(1)	(1)	71,448	90,255	99,000
(b) Pay-roll Tax			11,499	13,647	16,595	19,803	22,000
(c) Other	27,889	30,000	35,000	51,000			
3. Interest on Investments		255	502	456	503	672	750
4. Total, Income	27,889	55,780	100,075	112,016	138,540	180,657	221,630
5. Total, Expenditures	2,364	2,707	53,162	62,022	68,613	80,777	100,425
6. Balance to following year ..	25,525	53,074	46,914	49,994	69,928	99,880	121,205

Sources: BUDGET SPEECHES of Commonwealth Treasurer 1946-47 to 1949-50, and BUDGET PAPERS 1946-47.

(1) Amount not available; "other" appropriation shown for these years was made in lieu of contribution amount collected.

NOTE: Totals may not add exactly, due to rounding.

Appendix VIII

AUSTRALIAN COMMONWEALTH GOVERNMENT EXPENDITURES ON SOCIAL SERVICES⁽¹⁾
1938-39 AND 1945-46 TO 1949-50

(In £ 000)

Item	1938-39	1945-46	1946-47	1947-48	1948-49	1949-50 estimate
1. Age and Invalid Pensions	15,992	26,962	29,417	36,536	41,694	45,500
2. Funeral Benefits for Age and Invalid Pensioners		185	209	210	253	280
3. Widows' Pensions		3,247	3,366	3,904	4,388	4,600
4. Maternity Allowances	437	2,493	3,026	2,854	2,829	3,000
5. Child Endowment		18,019	19,863	19,426	24,323	31,000
6. Unemployment and Sickness Benefits		1,144	1,650	1,217	1,070	4,000
7. Community Rehabilitation					34	350
8. Hospital Benefits		1,111	4,380	4,448	5,880	6,000
9. Pharmaceutical Benefits					149	2,300
10. Tuberculosis Benefits			110	28	156	850
11. Mental Institution Benefits						400
12. National Health Services:						
(a) Medical Benefits						2,000
(b) Miscellaneous Services						125
13. Rental Rebates Under Housing Agreement						20
TOTAL	16,429	53,162	62,022	68,613	80,777	100,425

Source: BUDGET SPEECHES.

(1) Expenditures shown for 1945-46 to 1949-50 are paid from the National Welfare Fund; those shown for 1938-39, from general revenue.

NOTE: Due to rounding, totals may not add exactly.

Appendix IX

REVENUES OF THE AUSTRALIAN COMMONWEALTH GOVERNMENT
1948-49, 1949-50

Item	Year Ended June 30, 1949		Year Ended June 30, 1950, (Estimate)	
	Amount	Per Cent	Amount	Per Cent
	£000		£000	
1. TAXATION				
Customs.....	63,464	11.4	60,500	11.1
Excise.....	62,735	11.3	64,000	11.8
Sales Tax.....	39,029	7.0	35,000	6.4
Income Tax—Individuals.....	109,214	19.7	96,000	17.6
Companies.....	72,878	13.1	81,000	14.9
Social Services Contributions.....	90,255	16.3	99,000	18.2
Pay-roll Tax.....	19,803	3.6	22,000	4.0
Land Tax.....	3,032	0.5	4,000	0.7
Estate Duty.....	4,740	0.9	5,000	0.9
Entertainments Tax.....	5,299	1.0	4,200	0.8
Gift Duty.....	581	0.1	500	0.1
Gold Tax.....	—5			
Total.....	471,026	85.0	471,200	86.6
2. BUSINESS UNDERTAKING AND SURPLUS BALANCES OF TRUST ACCOUNTS.....	51,912	9.4	48,700	9.0
3. MISCELLANEOUS REVENUE AND TERRITORIES.....	12,109	2.2	12,100	2.2
4. PRIMARY PRODUCTION—Self Balancing Items.....	19,329	3.5	12,000	2.2
5. TOTAL.....	554,377	100.0	544,000	100.0

Source: BUDGET SPEECH, 1949-50, Treasury of the Commonwealth of Australia, September 7, 1949.

NOTE: Totals may not add exactly, due to rounding.

SOURCES

Social Services Consolidation Act, 1947 as amended by *Social Services Consolidation Act, 1948*, *Social Services Consolidation Act (No. 2), 1948* and by *Social Services Consolidation Act, 1949*.

National Welfare Fund Act, 1943 as amended by *National Welfare Fund Act, 1945*.

Social Services Contribution Assessment Act, 1945.

Social Services Contribution Act, 1945.

Social Services of the Commonwealth, Commonwealth Department of Social Services, Melbourne, 1949.

Official Year Book, Commonwealth of Australia, No. 36, 1944-45.

Australia in Facts and Figures, Commonwealth Department of Information, Issue No. 24, 1949.

Australian Statistics, Quarterly Summary, Commonwealth Bureau of Statistics, Canberra, June, 1949.

Budget Speeches, 1943-44 to 1949-50.

Rates of Taxation, 1944-45, J. M. White and William Benjamin.

National Income and Expenditure, 1948-49.

Annual Report of Director-General of Social Services, 1946-47 and 1947-48.

Income Tax and Social Services Contribution Deduction Schedules (weekly), Effective July 1, 1949.

The WITNESS: Mr. Chairman, and members of the committee. To continue, I would like to say we have tried to set down in this memorandum the main features of the old age income security system in Australia. We have not attempted to go into detail—which would have required a memorandum three or four times the size of the one before you.

We do not have information in the same detail as in the case of Canada, but I think that we have the essential features which should be useful in examining the framework of the Australia program. We have tried to be objective and impartial in our presentation. We have used official documents and abstracts. You will notice on page 31 that we have listed the sources of information used. In addition to these published sources, we have, of course, material from Australia on file,—including correspondence that has been carried on over a period of years with the Australian Department of Social Services.

Mr. Chairman, in dealing with Australia, I would like, first of all, to make some general comments of an introductory nature and then to spend time looking into the age pension in some detail, then to review the financing of the scheme, and, finally, to add a few comments on the administration.

I think we should note that, from a constitutional point of view, the power to legislate in the field of old age pensions in Australia rests with the federal government. With the federation of the Australian states on the 1st of January 1901 provision was made in the constitution whereby invalid and old age pensions would fall within federal jurisdiction. This inclusion arose mainly because of the wide interest at that time in certain states in Australia in invalid and old age pensions. There was also the influence of New Zealand which had adopted old age pensions legislation in 1898, a few years earlier.

After confederation, two of the states, Victoria and New South Wales introduced old age pensions but it was not until 1908 that the Commonwealth took action to introduce an Invalid and Old Age Pension Act. With the putting into effect of this Act the states of Victoria and New South Wales withdrew from the field. Since the inception of the scheme there has been a steady liberalization of the rate of benefit and of the means test, with the exception of the depression period when two reductions in the rate of pension were made. One interesting feature which I think we should look at later is the fact that on two occasions Australia introduced a cost-of-living index adjustment. Australia felt that they could adjust their rate of pension with the rise and fall in the cost of living.

Now, I would like to make one comment concerning any comparisons that I may make with regard to the pension rate in Australia and the old age pension paid in Canada. You will find that comment is shown as a footnote on page 1:

The current rate of exchange is \$2.47 in Canadian dollars for an Australian pound. This exchange rate is helpful in indicating what an Australian cash benefit would provide if the benefit were paid to a beneficiary in Canada and is the only yardstick available for translating the cash benefit in Canadian terms. It does not, however, measure in Canadian terms the actual purchasing power of an Australian cash benefit expended in Australia. Such a comparison involves not only the amount of the cash benefit but also the relation of that cash benefit to price levels and consumption patterns.

I think it should also be mentioned that in 1938 the Commonwealth Parliament passed a National Health and Pensions Insurance Bill. This Act provided for the enrolment of 1,850,000 employed persons and promised protection for some 3,600,000 persons or about half of the population. There were certain

exclusions. There was a ceiling of seven pounds per week; self-employed such as farmers and shopkeepers were not covered by the program; government employees were also excluded. Contributions were made on a tripartite basis. Contributions were to commence at age fourteen and they were to continue until retirement which was to be sixty years of age for women and sixty-five years of age for men.

In addition to equal employer and employee contributions there was to be a supplementary amount made available from the treasury.

The benefits that were to be provided under this bill were three in number: 1. sickness benefits to people who were unemployed because of illness; 2. medical benefits which included treatment by qualified insurance doctors and certain free drugs; and 3. an old age pension which was to be £1 a week for men sixty-five years of age and over and 15 shillings a week for women 60 years of age and over.

This Act was never proclaimed. There was considerable criticism that the contributory scheme bore heavily on the lower income groups and that it was only providing partial coverage. The government never proclaimed the Act because of the advent of the war, and in 1947, when the Social Services Consolidation Act was introduced, this Act was repealed.

Mr. CROLL: Why are we being troubled with something that they did not pass? Let us have something that they did pass. I do not care about the mistakes they made.

The CHAIRMAN: It is a question of opinion whether it was a mistake.

Mr. CROLL: But they did not pass it so it must have been a mistake.

The CHAIRMAN: They deemed it was a mistake.

Mr. CROLL: Let us deal with what the law is.

Mr. ROBERTSON: You can only learn by mistakes.

The WITNESS: I think another point which should be mentioned is that the Old Age Pension is a part of a general social services program, and that the other benefits include funeral benefits for deceased aged and invalid pensioners; invalid pensions; widows pensions; maternity allowances; child endowment which is equivalent to our family allowances; unemployment and sickness benefits; and rehabilitation allowances.

Of these benefits, the maternity allowances and the child endowment are on a non-means test basis. The other cash benefits are provided under a means test, and include the unemployment and sickness benefits. However, in the case of the unemployment and sickness benefits the means test is applied to income but not to property.

In addition to these cash benefits, there are three health benefits. There is a hospital benefit scheme with no means test; pharmaceutical benefits with no means test; and tuberculosis benefits which are allowances on a means test basis for tuberculosis patients.

I think, Mr. Chairman, that before we get into the details, and in order to set the program out in relief, we should mention that the social services in Australia were for many years financed directly from general revenues; but in recent years they established a national welfare fund and from that fund moneys are obtained to finance all these social services which I have outlined, including the Old Age Pensions.

Revenue for this fund is obtained through two types of taxes. One is a social service contribution which is payable by individuals on income and also which is payable by private companies, while the other is a payroll tax.

By Mr. Croll:

Q. What do you mean by "payroll tax"? You say that the other is a social service tax. Do you mean the method of collection is different? Will you please explain?—A. The social service tax is combined with the income tax and collected as part of the income tax through the income tax collection machinery.

Mr. BROWN: In other words, the government pays part and industry pays a part.

The CHAIRMAN: No, no, please.

Mr. CROLL: Let me follow through for a moment.

The CHAIRMAN: Well, Mr. Willard will answer your question.

The WITNESS: The social services contribution is paid by individuals when they pay their income taxes.

By Mr. Croll:

Q. As a percentage?—A. As a percentage, that is right; and the payroll tax is a payment by employers on the basis of their payroll. It is $2\frac{1}{2}$ per cent of their payroll.

Q. That is clear. That is what I wanted.

The CHAIRMAN: Mr. Willard will go into these details later.

The WITNESS: That is right.

Mr. LAING: The details will show the percentages derived from various sources.

The CHAIRMAN: That is right.

By Mr. Brown:

Q. But is this not an income tax that you are talking about?—A. Yes. This social service tax is on income.

Q. Then it is an income tax out of the general fund?—A. That is right.

Q. What about the employers, what contribution do they make?—A. They have a payroll tax.

Mr. CROLL: But that is not their contribution. It is the individual contribution.

Mr. BROWN: That is right.

Mr. SHAW: So far the individual pays the whole shot in both taxes. It is not an employer's contribution. It is a straight employee payment, a second tax on the employee.

By the Chairman:

Q. Is it paid by the employer or by the employee?—A. The employee pays the social services contribution. On the other hand, the employer as an individual will pay, as all persons with income will pay, the social services contribution.

Q. Well what about the payroll tax?—A. The payroll tax is paid by the employer.

Mr. CROLL: No!

The CHAIRMAN: Yes, it is.

By Mr. Croll:

Q. Oh, no. It is not paid by the employer. It is paid by the employee.
—A. By the employer.

Q. On what?—A. On the basis of his payroll; $2\frac{1}{2}$ per cent of his payroll.

Q. And it is not deducted from the employee? So I was wrong.

Mr. BROWN: Where does the government make a contribution?

The CHAIRMAN: We will come to that. I think there is a special fund for social security, and we will be coming to the division of it later.

The WITNESS: With respect to Australia itself, I mentioned that it is about 80 per cent of the size of Canada and that it has a population now of about 7·8 millions compared with 13·5 millions for Canada. That population has been aging as in Canada, but there is a higher proportion of people over the age of 65. I could give you the recent percentages for Australia. In 1947 those of the age of 65 and over constituted 8 per cent of the total population. Those of 60 years of age and over constituted 12·2 per cent.

I think, Mr. Chairman, if the committee members will agree, we can move on to the age pension itself.

The CHAIRMAN: If any of the members wish to ask questions at this time I invite them to do so.

By Mr. Shaw:

Q. I would like to get this straight. Is this social service contribution which was referred to collected with the income tax of 5 per cent?—A. It starts at 1¼ per cent and it goes up to 7½ per cent. It is on a graded scale.

Q. Based on the amount of income of the individual?—A. Yes.

Q. That is a percentage?—A. Yes.

The CHAIRMAN: You will find the details of it on page 18.

By Mr. Shaw:

Q. And the other is a 2½ per cent tax on the payroll?—A. That is right.

By Mr. Brown:

Q. This social security contribution is paid by everybody, not just by workmen in a factory, but by everybody who has an income, at a certain rate?—A. Everybody; and the very broad base that it has will be shown later on.

By Mr. Croll:

Q. Somewhere in the back of my mind was the thought that there was a mistake. I understand that Mr. Willard said that there is a certain percentage paid from income tax, and that the employer pays a payroll tax. But on page 19 I see that the employer is required to deduct both the income tax and the social service contribution, where applicable, from each payment of wages and salaries to employees. So it would appear to be a deduction from the employee?—A. That is a social services contribution.

By the Chairman:

Q. It is not a payroll tax?—A. It is not a payroll tax. The employer deducts the social security contribution and submits it to the treasury; and in addition to that, the employer has to pay 2½ per cent of his payroll.

Mr. CROLL: That is where I went wrong. Thank you.

The CHAIRMAN: Are there any more general questions?

By Mr. Ashbourne:

Q. I notice that the current rate of exchange is \$2.47. Are all these pounds converted at that rate right through the brief?—A. Mr. Chairman, we have only converted on page 1.

The CHAIRMAN: They are not converted later in the brief.

By Mr. Ashbourne:

Q. The reason I mentioned it is that I think previously the Australian pound was at a discount of about 20 per cent as compared with the English pound. So I was wondering if anything has happened since the pound was devalued, and whether there had been any increase made in the pension?—A. No, there has not been any change since that time. And this was the existing foreign exchange rate as of a few weeks ago when we started to work on this memorandum.

By the Chairman:

Q. Would you care to enlarge on the last sentence or note at the bottom of page 1 with respect to Canadian dollars as compared with the cost of living? Any information which you have, Mr. Willard, will be acceptable. We do not ask you to give us a definite opinion on it, but anything which could enlighten the committee members would be acceptable.—A. The reason why it is difficult to do that is that when you compare two countries, you are comparing two areas which may have different levels of living for which the official foreign exchange rates do not necessarily reflect the actual purchasing power in the two countries. The foreign exchange rates are influenced by many complicated political and economic forces.

For instance, if we had taken these rates a year ago, they would have been quite different because since that time there has been considerable adjustment in the exchange rates in many countries throughout the world, while the pension in this country and Australia has remained the same.

I took the liberty of putting in this figure only because it would represent the value of an Australian pound spent in Canada by a beneficiary. We know what it would buy. Or, conversely, if we took a Canadian pension dollar and spent it in Australia, we would know how much it would buy for a Canadian pensioner, if he were there.

But it does not tell us what the actual value of a pound spent by a pensioner in Australia would mean in real purchasing power as compared with an equivalent amount spent in Canada by a pensioner.

Q. I know it doesn't. That is why I asked what the real situation is. Do you make a comparison?

Mr. SHAW: Is it not also conceivable that their methods of determining the costs of living index may be different from ours?

The WITNESS: I was going to add if you try to compare official cost of living indexes you run into this difficulty. Different weights have been employed; different surveys have been used as the basis for those weights. In Canada the weights may be based on the survey that took place in 1937-1938 of a family group of five with the years 1935 to 1939 as a base for the index. In Australia you may find that the index base is a period back in 1927 or thereabouts that is used. The base period may be different, the weights may be different, the actual level or standard of living in the two countries may be different.

Mr. BROWN: In other words we want to know how many loaves of bread and quarts of milk you can buy for a dollar and how many loaves of bread and quarts of milk you can buy for a pound.

The CHAIRMAN: That is the question practically put.

The WITNESS: In my opinion Mr. Chairman, that is one of the most difficult things to answer.

Mr. BROWN: Have we any figures to show what prices are for, say, bread and milk, in Australia?

The CHAIRMAN: Do you have any idea that you can give us on the following question: how does £110 compare in purchasing power in Australia with \$480 in purchasing power in Canada?

The WITNESS: No, Mr. Chairman.

The CHAIRMAN: Is it less? What is your opinion, if you have any knowledge about it? If you have none, well, just say so.

The WITNESS: We have no objective way at the present time of determining that, short of spending a very great deal of time and money. I do not feel it would be possible for us to put in the hands of the committee a definite comparison of that type.

The CHAIRMAN: I understand, but has £110 in Australia more purchasing power than \$480 (Canadian) here in Canada? Is it more or is it less?

Mr. LAING: Mr. Chairman, is there not an entirely different system of conditions as between the two countries? I understand for instance they are still operating food subsidies in Australia.

The CHAIRMAN: That is right.

The WITNESS: Perhaps, Mr. Chairman, I might indicate why I want to be cautious on this. I refer to an article in the *Monthly Labour Review* of November, 1949, in which a study was made in the United States on the indexes of purchasing power of hourly earnings in terms of food in eighteen foreign countries for selected periods, based on the United States weights equalling 100; Australia was 98 and Canada was 84.

The CHAIRMAN: Gentlemen there is a vote in the house. The committee will stand adjourned until next Tuesday.

—The committee adjourned to meet again on Tuesday, April 25, at 11:00 a.m.

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The Senate and the House of Commons on, 1950
SESSION 1950

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JOINT COMMITTEE OF THE SENATE
AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

TUESDAY, APRIL 25, 1950

WITNESSES

Mr. J. W. Willard, Director of Research, Department of National Health and Welfare.

Dr. G. F. Davidson, Deputy Minister of Welfare, Department of National Health and Welfare.

OTTAWA

EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY

1950



REPORT TO THE SENATE

*Extracts from the Minutes of Proceedings of the Senate for
Monday, 24th April, 1950.*

The Honourable Senator King, from the Joint Committee of the Senate and the House of Commons on Old Age Security, presented their first Report.

The same was then read by the Clerk, as follows:—

The Joint Committee of the Senate and the House of Commons on Old Age Security begs leave to make their first Report, as follows:—

Your Committee recommend that their quorum be reduced to twelve (12) Members.

All which is respectfully submitted.

J. H. KING,
Joint Chairman.

With leave of the Senate,

The said Report was adopted.

MINUTES OF PROCEEDINGS

TUESDAY, April 25, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 11 a.m. Honourable Senator King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Also present:

The Senate: Honourable Senators Burke, Doone, Farquhar, Ferland, Hurtubise, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brooks, Brown (*Essex West*), Corry, Cote (*Verdun-La Salle*), Courtemanche, Croll, Ferrie, Fleming, Knowles, Laing, MacInnis, Picard, Richard (*Gloucester*), Shaw, Smith (*Queens-Shelburne*), Welbourn.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare, and Mr. J. W. Willard, Director of Research, Department of National Health and Welfare.

Honourable Senator King referred to the loss sustained by the Committee through the recent death of one of its distinguished members, Senator Antoine J. Leger. Messrs. MacInnis, Richard (*Gloucester*), Brooks and Shaw joined in tribute to the memory of the deceased Senator.

Mr. Willard was recalled and further examined on his brief relative to the Australian Old Age Income Security Programs. Following Mr. Willard's examination the Chairman thanked him for having given very valuable information to the Committee. He announced that the Steering Committee would meet immediately after adjournment.

The Committee adjourned until 4 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4 p.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Also present:

The Senate: Honourable Senators Doone, Farquhar, Ferland, Hurtubise, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brooks, Brown (*Essex West*), Corry, Cote (*Verdun-La Salle*), Courtemanche, Croll, Diefenbaker, Ferrie, Fleming, Knowles, Laing, MacInnis, Picard, Richard (*Gloucester*), Smith (*Queens-Shelburne*), Weaver Welbourn.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare, and Mr. J. W. Willard, Director of Research, Department of National Health and Welfare.

The Chairman presented the report of the Steering Committee as appears in this day's Minutes of Evidence.

Dr. Davidson was recalled. He submitted a brief on New Zealand Old Age Security Programs.

It was agreed that the brief be taken as read and incorporated in the evidence.

Examination of the witness followed.

At 6 o'clock the Committee adjourned until Wednesday, April 26, at 4 p.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
April 25, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 11.00 a.m., Hon. Mr. J. H. King and Mr. J. Lesage (Joint Chairmen). Mr. J. Lesage, presided.

The CHAIRMAN: Gentlemen, we have a quorum.

Hon. Mr. KING: Mr. Chairman, and honourable senators: may I be permitted to say a word of regret and sorrow in the passing of one of the distinguished members of this joint committee. I refer to Senator Leger of New Brunswick. The Senator had long experience in public life in his native province. He was a member of the legislature and a member of the government in that province. He was a lawyer by profession and he was appointed to the Senate in 1935.

He became one of the most useful members of our body of parliament because of his knowledge of the statute and the drawing of the statute. He was one of our best committee members, a conscientious worker, always in attendance, and, as far as we in the Senate are concerned, we feel his loss very deeply, and I feel satisfied that this committee, in his passing, has lost something. I am sure you will join with me in expressing the regrets of this committee to his family in his departure.

Mr. MACINNIS: May I be permitted to add a word to what Dr. King has just said. I feel the loss of Senator Leger very much. My acquaintance with him does not extend over a very long period of time, but it was very pleasant. Senator Leger was one of the parliamentary advisors to the Canadian delegation to the United Nations in 1947. I happened to be one of the parliamentary advisors on that occasion and I came to know him very well for the first time. I appreciated very, very much his kindly and companionable nature. I do wish that I may add my regrets and, if I may speak for the other members of the House of Commons, I would like to include them.

Mr. RICHARD: Mr. Chairman, I was not aware that Senator Leger was a member of this committee. That is probably my own fault because I have missed a number of meetings. I feel that I should say something for several reasons. Senator Leger was one of the few Acadians in Ottawa, either in the House of Commons or in the Senate. Our capable secretary is one of them. We are a different brand of French Canadian, we Acadians, as you probably know.

Senator Leger was a very capable and hard working man. He was an historian. He had written many books on the history of Acadia and, only a few weeks ago on the train coming up, we had a little argument, the Senator and I, about a lost village which existed before the expulsion of 1755 but could not be discovered with available historical data. He sent me a small pamphlet which he had written himself on the matter—it was very thoughtful of him.

How little one knows how suddenly the end may come. We were discussing a New Brunswick vacancy in the Senate and Senator Leger said jokingly that "You fellows need not be looking for my place, because I am good for another ten years."

In a good many ways Senator Leger was a very helpful man. I think he had even forgotten his politics in the Senate. He was always ready to help

anyone, irrespective of political party. He has been of great assistance in many ways to new members of the House of Commons and he will be missed by the members here and also in New Brunswick.

I knew Senator Leger for many years, and as a matter of fact I sat in the house in New Brunswick as financial critic against him when he was the provincial treasurer. I lambasted him as much as I could until he came here and then I took his place and found out that it was not such an easy job. Certainly the Senate has lost a hard worker in the person of Senator Leger.

Mr. BROOKS: Mr. Chairman, I do not feel that I can add very much to what has already been said by my good friend Mr. Richard but I also was a colleague of Senator Leger in the house in New Brunswick. As Mr. Richard has said he was one of the outstanding men of the province of New Brunswick. He was not only an outstanding Acadian but he was also a very outstanding Canadian. He was respected and liked by people of all races in our province and he was a very broadminded man and a friend of all. As I say, I do not feel that I can add any more to what Mr. Richard has said but his passing was a very great shock to his many friends in the province of New Brunswick and in the rest of Canada.

Mr. SHAW: Mr. Chairman, it was not my good fortune to know Senator Leger personally but I wish to concur in the observations that have been made. On behalf of Mr. Beyerstein and the other members of our group I wish to express our very sincere regret at his passing.

The CHAIRMAN: Thank you gentlemen, now, I think that there should be a meeting of the steering committee today. What time would suit the members?

Mr. FLEMING: Will it be long?

The CHAIRMAN: No.

Mr. FLEMING: Why not hold it immediately after the close of this meeting?

The CHAIRMAN: Very well.

Mr. CROLL: Just to keep the members informed, perhaps we could have this observation made now. It occurs to me that, in reading these various briefs such as the one for Australia, and for the other commonwealth countries there is really not a great deal in them which we can learn or gain. There are no new principles. I think we are taking far too much time with these briefs and it is my suggestion that the steering committee should have placed before them the thought, with respect to the commonwealth briefs, that they should be presented to the members of the committee beforehand and read. Then, if there are questions they can be asked, but we would not need to go through the briefs as minutely as we have gone through this brief. I make that suggestion because I intend to bring it before the steering committee.

The CHAIRMAN: As we are going on with Australia this morning, could we have the general consensus of opinion of the committee right away? What is the reaction of the members to Mr. Croll's suggestion?

Mr. BROWN: Did you not establish an agenda that we were going to follow with respect to the various countries—Australia and New Zealand?

The CHAIRMAN: We are already late, there is no doubt about that. I think it would be the wish of the committee though, to have the brief for Australia dealt with. Most of them have read the brief and Mr. Willard our witness might tell us what the various divisions of his statement are so that questions may be asked on each division in turn.

Mr. SHAW: We feel that we should know what is being done in these various countries with respect to old age security but I agree with Mr. Croll that while we are doing that we should have pointed out to us only those things that are

basically different and that may enable us to arrive at some satisfactory conclusion. There is a lot of detail that we cannot understand, never mind make use of, because of the differences between our country and Australia. We feel that we should have the highlights and the fundamental differences.

The CHAIRMAN: Perhaps I had better take up the matter with the steering committee.

Mr. PICARD: I think Mr. Croll's suggestion is deserving of consideration right now. This is my first meeting but I have been trying to read the brief this morning. I think we should all read the briefs and at the next meeting come prepared to ask questions—rather than to study them here. If we did that we would be doing like the school boy who studies while in school but does nothing while outside of school. I do not mean to infer that we are doing nothing in this place, but if we can read these briefs outside of the meetings and come prepared to ask questions we would not waste so much time.

Mr. FLEMING: It is in this committee that the time is so precious. I think we are going to make a mistake if we re-open the matter. My suggestion is that we try to discipline ourselves and to get through with Australia this morning and get started on New Zealand this afternoon. Referring to what Mr. Picard has said, it is understood that the members of the committee read the briefs before they come and that we are to confine our questions to matters that are contained in the brief.

Mr. LAING: Is a question in order?

The CHAIRMAN: A question about the brief?

Mr. LAING: Concerning this brief.

The CHAIRMAN: I would ask Mr. Willard to give us what he thinks is a judicious division of the statement, so that questions may be asked on each division in turn.

Mr. J. W. Willard, Research Director, Department of National Health and Welfare, recalled:

The WITNESS: At the last meeting we covered the introductory section. There was some discussion following that section and there might be some further discussion on it now. Then we might discuss the age pension and finally the financing of the program.

The CHAIRMAN: We are still on the introductory part of it?

The WITNESS: Yes.

The CHAIRMAN: There was a question which I asked and to which there was no answer then? Is that right?

The WITNESS: That is right. The question which arose at the last meeting was with regard to converting the rate of Australian pounds into Canadian terms for the purpose of comparing pension rates. I made a statement on that matter, and, if it is your wish, I can develop that statement a little further today and point out the difficulties that we face in our efforts to translate Australian pounds into Canadian terms and then the members can decide for themselves at that point. The last day I mentioned that one method of comparison was to use the foreign exchange rates and I said this comparison was valid in the following sense. It indicates what an Australian old age pension would provide if it were paid to a beneficiary in Canada.

But the foreign exchange rate does not adequately measure the purchasing power parity between the Australian pound and the Canadian dollar.

Foreign exchange rates are affected by many factors other than the level of internal prices for consumer goods and services. They are affected, for example, by the balance of trade, by changes in demand for specific commodities moving in international trade, by war debts, by flow of foreign investment, and by complex political and economic factors.

Today, they are, for the most part, rigidly maintained by international agreement and foreign exchange control boards and in the short run do not reflect the play of free economic forces.

The artificial nature of the present exchange rate between the Australian pound and the Canadian dollar is seen in a comparison of the value, in Canadian money, of the Australian old age pension before and after the recent devaluation. At present rates of exchange the Australian old age pension may be converted into \$272.94 Canadian. In September 1949, before the devaluation, the pension could be exchanged for \$357.19. The exchange value of the Australian old age pension was therefore \$357.19 the day before devaluation and \$272.94 a few days later.

It can be seen that on the basis of either the old or the new exchange rate the Canadian pension was of higher value in terms of what it would buy in Canada compared with what the Australian pension would buy in Canada after being converted.

Now another basis of comparison is to bring in the cost-of-living indexes between the two countries. It is sometimes suggested the cost-of-living index should be used to adjust the relative values of the pensions in the two countries. I would like to comment on that point.

Cost-of-living indexes in Canada and in Australia measure the change in the cost of a "basket" of goods and services which enter into the budget of wage earner families. The levels of living indicated by the index are, of course, not identical nor are the goods and services which are consumed by wage earner families and which enter into the cost-of-living index of both countries similar. There are different consumer habits brought about by climate, resources, and national habits. Food is cheaper in Australia relative to food in Canada, while there is less expenditure on fuel and heavy clothing as the result of a more temperate climate. Other goods and services are, on the average, more expensive, particularly consumer durables and semi-durables.

Now it is possible to adjust the cost-of-living indexes of the two countries to a 1937 base as the United Nations bulletin has done and, if you do that, you will find the Canadian index for August 1949 was 161 and that the Australian index was 164 but it would not necessarily hold that on a basis of this comparison the cost of living in Australia is higher than in Canada and that the purchasing power of a pension would necessarily be lower.

I mentioned at our last meeting that different weights have been employed in the two indexes. For instance in the Australian index a weight of 38.7 per cent is allocated to food whereas in the Canadian index a weight of 31 per cent is allocated to food. That is only an illustration of how weights can vary in different countries.

I mentioned also in our last session that the base of the two indexes is different. The Australian base period is 1923 to 1927 and the Canadian base period is 1935 to 1939.

I would like to say that if we start comparing pensions in Australia and Canada by adjusting them to the cost-of-living index in the two countries we face very real problems because the index in Canada and Australia measure changes in the cost of a different basket of goods and services from a different base period. Adjustment to a common base only disguises the bias created by the different base periods and the different goods and services covered. Consequently, the price structure of goods and services relative to each other may be substantially different in both countries. The amount of rent relative to other

expenditure items might, for example, be higher in Australia than in Canada yet both will be given an index of 100 in the base period. The indexes measure the change in the cost of goods and services consumed by wage earner families. Without knowing the original cost in the base period of these articles and services, a comparison of the cost of living by indexes alone is meaningless.

There is a further complication that a general cost of living index does not accurately measure the cost of living of a particular sector of the community, such as the aged. The consumption and expenditure patterns of older persons are different from those of the population generally.

I would like to make a further comment with regard to the question of comparing food values. I was asked at the last meeting of the committee to translate the relative purchasing power of the old age pension in the two countries into terms of milk and bread. In this regard I referred to a study that had been carried out in United States comparing the relative purchasing power of hourly earnings in terms of food in different countries. I mentioned that for March 1949 the index number for Australia was 98 compared to 84 for Canada based on U.S. food weights, which are similar to Canadian food weights. This finding would indicate that the purchasing power of an hour's labour in terms of food in Australia is around 17 per cent greater than in Canada. It would probably be safe to say that the cost of food in an elderly person's budget in Australia would be comparatively less than in Canada.

But the use of only one item, such as food in the cost-of-living index may be misleading in determining the relative purchasing power of the pension rates in the two countries. Food may be cheaper in Australia relative to food prices in Canada, but other items of expenditure may be higher relative to other items in Canada. I can illustrate by pointing out that if you use the cost-of-living index to which I referred the food index in Canada reached 203 in August 1949 in comparison with a food index of 164 in Australia. However, for all other items the index was only 142 in Canada as against an index number of 164 in Australia. The net result was that though the food index was substantially higher in Canada, the cost-of-living index was lower than that of Australia.

It has often been suggested that wages in a country might be used as a standard to judge the relative magnitude of old age pensions in two countries. In the absence of other reliable data it has sometimes been suggested that some indication of the relative magnitude of old age pensions might be obtained by comparing them with the average wage rate of the country concerned. This approach is slightly different from the other modes of comparison just mentioned. I have raised this fact since this comparison does not suggest the purchasing power of the pension in the two countries but rather a comparison of the average wage and the amount of benefit paid through the old age pension in the two countries.

If we take September of 1949 which is the period for which I have comparable data, the monthly pension in Australia was 184s-2d. The monthly earnings in that period were 754s—which indicates that the pension was 24.4 per cent of the monthly wage. For the same period in Canada the monthly pension was \$40; the monthly earnings were \$180.95—which indicates that the pension was 22.1 per cent of the monthly wage.

Again, Mr. Chairman, I think we should be cautioned by the fact that this does not necessarily mean that the pension is unduly low in Canada. It may also reflect the fact that the wage level in Canada is comparatively higher in relation to the pension paid.

Further, I would also point out that the wage statistics we use vary in the two countries. There is a difference in the degree of industrialization in the two countries; there is a difference in the kind of industrialization in the two

countries, and in the kind of industries included in the two indexes. For instance, the Australian index includes the average hourly rates in manufacturing, mining, construction, transportation, and agriculture. Whereas, in Canada, the index includes the average hourly earnings in manufacturing, mining, local transportation, building construction, highway construction, and services in hotels. It does not for example include agriculture. Accordingly, a slight difference in the pension relative to the average hourly wages in the two countries, may be effected by the fact that the indexes include different items. It may reflect a higher relative pension level or a lower relative wage rate or both.

Finally, Mr. Chairman, and this is a point I mentioned the last day, it would take time and money to obtain an objective assessment of the purchasing power parity of old age pensions in the two countries. A reliable method for estimating the purchasing power parity between the Australian pound and the Canadian dollar would be through the pricing, in both countries, of a budget of goods and services for an elderly couple.

Representative goods and services, weighed in accordance with their relative importance in a Canadian budget for an elderly couple could be priced in Canada and in Australia; while a similar list of goods and services weighed in accordance with their relative importance in the Australian budget for an elderly couple, could be priced in Australia and in Canada, and the geometric mean taken of each pair of results.

The ratios between the geometric mean of the budgets priced in Canada and the budgets priced in Australia would give a close approximation to the true purchasing power parity between the two countries, which could be used to compare your pension rates.

MR. LAING: Mr. Chairman, I would like to ask a question on page 6. There is the statement somewhere in the report that pensions were reduced during the depression years. What I would like to ask is, were they reduced directly in proportion to the reduction in the cost of living?

THE CHAIRMAN: Would you mind holding your question until we have completed this introductory section, please?

MR. LAING: Certainly, Mr. Chairman.

THE CHAIRMAN: Are there any more questions on the introductory section of this statement?

MR. KNOWLES: It would seem, Mr. Chairman, from what Mr. Willard has said, that we should not spend too much time trying to compare actual pensions; perhaps our greatest effort should be in the principles pursued in the various countries.

MR. CROLL: I have one question on page 2. Mr. Willard, at the bottom of the first paragraph, after describing the general scheme, you say: "There was considerable opposition to this insurance measure, principally because of the method of financing adopted but also because it did not provide universal coverage. With the advent of war, the legislation was never proclaimed." Could you enlarge on that statement?

THE WITNESS: Mr. Chairman, with regard to the method of financing, in answer to Mr. Croll's question, there was considerable feeling throughout the country that the tri-partite method of collection was not the most satisfactory means of raising funds for this insurance measure, particularly with regard to the employer and employee contribution. It was considered by some that this type of contribution bore heavily upon the lower income groups and opposition was raised to that method of financing. As you will see later on, Australia has a contributory scheme at the present time but it is not on the basis of employer-employee-state contributions, similar, for instance to our

unemployment insurance scheme in Canada or similar to the British type of program. Now, there are, Mr. Chairman, some difference of opinion in Australia as to the method of financing programs and some favour a scheme similar to that in New Zealand where there is 7·5 per cent tax on the gross income. Others favour the tri-partite system whereby employers and employees contribute on an equal basis, as is set out in the 1938 Act, and where the national government also contributes to the fund; and you have, as opposed to these views those who consider the present method of financing a more favourable type of financial arrangement.

Mr. CROLL: Describe the present method, will you, while you are describing all these others and then we will have it all.

The WITNESS: With regard to the social services contribution, provision is made whereby it is a graded contribution starting, after basic exemptions have been made, at 1·25 per cent and rising to 7·5 per cent. In New Zealand, for instance, the social security contribution is 7·5 per cent across the board on all gross income. In Australia, under the social service contribution, there are certain basic exemptions and then the contribution is graded, the percentage increasing as income increases. In addition to the social services contribution, of course, there is the payroll tax of 2·5 per cent in Australia.

Mr. KNOWLES: Mr. Chairman, might I ask a further question with respect to these rates of contribution. It might be something Mr. Willard would have to get and bring to us later on. Could he tell us at what point the general income tax comes in. Let me put it this way. At the point where the general income tax comes in what is the rate of social service contribution?

The WITNESS: 7·5 per cent. We will come to that later.

By Mr. Fleming:

Q. I have one question, Mr. Chairman. I take it that what Mr. Willard has said about the difficulty of comparing benefits paid in Australia in terms of Australian pounds with payments made in Canada paid in Canadian dollars will apply equally to both sides of the ledger on contributions paid into the fund?—A. Mr. Chairman, the contribution made into the fund under the social services contribution is on a percentage basis.

Q. Quite, but I am speaking now in terms of the benefits arising.—A. Mr. Chairman, again there would be difficulty in comparing, for instance, the basic exemptions in Australia with the basic exemptions in Canada.

Q. You get down to the same thing; there is very great difficulty in comparing the two sides of the ledger.—A. Yes.

By Mr. MacInnis:

Q. May I ask Mr. Willard if the old age pension, the old age security pension in Australia, is financed and administered wholly by the commonwealth government or do the states enter into the financial end of it the same as in the case of our provinces?—A. Mr. Chairman, it is a federally operated scheme. The constitution in Australia came into effect on the first of January, 1901, and it placed invalid and old age pensions within the federal jurisdiction. In 1908 the federal government introduced the invalid and old age pension program, so that it is a federally operated scheme.

Q. One more question which perhaps might be answered at this time. I understand that invalids are included in the old age pension program. At what age can an invalid come under the provisions of the old age pension?—A. Mr. MacInnis, as soon as an invalid who is receiving invalid benefits reaches the retirement age under the old age pension scheme he is transferred to the old age pension rolls.

Mr. CROLL: That does not answer his question.

The WITNESS: Further to that, Mr. Chairman, an invalid person may receive an invalid pension at the age of sixteen and will continue on the pension up to the age of sixty-five in the case of a man and up to the age of sixty in the case of a woman, at which time the invalid pensioner will go on the old age pension rolls.

Mr. RICHARD: Then sixteen is the age at which they begin to receive invalid pension?

The WITNESS: Yes, sir.

Mr. MACINNIS: Are we on page 7?

The CHAIRMAN: No, I am sorry. I prevented Mr. Laing from asking questions on page 6 because we were still on the introductory section which ends at page 5. I am sorry, but I want to be fair to everybody.

Mr. MACINNIS: If you would let me ask just one or two questions he could dispose of them. I might not be here when page 7 is taken up.

The CHAIRMAN: Mr. MacInnis, I am sorry; we will either have to stick to the procedure we have laid out for ourselves or I will have to open the thing wide so that any member can ask any question with respect to any part of the brief he may wish to refer to. I am sorry, but I have got to keep the procedure the same for all members of the committee.

Mr. MACINNIS: I am not objecting, Mr. Chairman.

Mr. KNOWLES: May I ask one question to clear up the answer given with regard to the collecting of the social security tax?

The CHAIRMAN: That has been answered.

By Mr. Knowles:

Q. But he gave an answer which I think should be cleared up at this point. His answer was that there was a graduated tax ranging from $1\frac{1}{4}$ per cent up to $7\frac{1}{2}$ per cent?—A. That is right.

Q. My point is that when a person is put into a group where he pays $7\frac{1}{2}$ per cent, would that be $7\frac{1}{2}$ per cent of the whole of his taxable income or just on the top portion of it?—A. On the whole of his income. There are no basic exemptions. There are certain exemptions. At higher levels the rate is $7\frac{1}{2}$ per cent on the whole of his income.

Mr. KNOWLES: I had other questions on the same page but I will hold them until we reach that point.

By Mr. Cote:

Q. In answer to a question by Mr. MacInnis, Mr. Willard said that the plan is operated federally in Australia; of course, in Canada here the plan is one of joint operation by the provinces and the central government. I would like Mr. Willard to enlarge a little on that answer because of the point Mr. MacInnis raised.—A. Mr. Chairman, in answer to Mr. Cote's question, I would again mention that the basic difference is because of the constitution. In 1900, when the states came together, old age and invalid pensions were included as one of the powers of the federal government and therefore the federal government has complete jurisdiction in that field. Now, with a federally operated scheme it means that the department of social services which is the federal administrative agency, administers the scheme through its state offices. Of course, it means also that, with regard to certain matters such as the means test, these matters are determined federally. In other words, in Canada, as we noted from Dr. Davidson's evidence, there are wide variations in the application of the means test which provide a certain latitude to the provinces in the development of their

programs within the general federal terms. In Australia the federal law determines all these matters many of which in Canada are at the discretion of the provincial authorities.

Q. Well then, under the Australian scheme, administration would be a far more simple matter than it is in Canada; is that a fair conclusion?—A. I would say yes, Mr. Chairman. And there is no question of constitutionality in Australia as there is in Canada.

The CHAIRMAN: Am I to take it then that operation or administration of the scheme in Australia is carried out in much the same way as family allowance is administered here in Canada, through regional offices in each of the provinces?

The WITNESS: That would be a good comparison.

The CHAIRMAN: Are there any more questions on the first part? We will now proceed to the pension scheme itself. Now, Mr. Laing, we are on page 6.

Mr. LAING: I did not want to interrupt, Mr. Chairman, any intention on your part to call upon Mr. Willard to explain this section but I think I agree with Mr. Croll that we should have all read this material by now. My question is this: There was direct reference to the fact that pensions in Australia were reduced during the depression years. I do not know whether Mr. Willard has any material on this point, but my point is this: were pension reductions directly comparable to the reduction in the cost of living; because, as I envisage a system where you have this type of thing, it seems to me that any reduction which may be made, if it is to be justified at all, should bear a direct relationship to the cost of living at a given time, otherwise you are not going to have a sound scheme. I was wondering whether or not he had any material to show whether the reductions in the pension rate paralleled the reductions in the cost of living during the period concerned. The point I am trying to make is that any pension scheme based on a means test should be based upon need and not upon rates or prices in effect at any particular time; the need is still there.

The WITNESS: Mr. Laing, I have no knowledge as to whether the Australian government reduced that rate in accordance with the fall in the cost of living or not. I can say this, that at that time there was no cost-of-living adjustment provision in the old age pension scheme in Australia and therefore there was no automatic adjustment downward according to the fall in the cost of living. The reductions in the pension rate may have been the combined result of an adjustment of the rate to a fall in prices plus the need for retrenchment on the part of the commonwealth government.

Mr. MacINNIS: I think I saw somewhere in this reference to a system in Australia, which was discontinued, of paying pensions in accordance with the cost of living. Is that in this brief?

The CHAIRMAN: It is in the brief, Mr. MacInnis.

The WITNESS: Mr. Chairman, we might discuss at this stage the cost-of-living index adjustments, if it is committee's wish.

The CHAIRMAN: Yes, that would be all right.

The WITNESS: On two occasions the Australian government introduced this procedure whereby the pension would be adjusted according to the cost-of-living index. The first occasion was in 1933 and they maintained this policy until 1937.

The CHAIRMAN: You will find that on page 11.

The WITNESS: In this period, the cost-of-living index used was based only on food. Upper and lower limits were a part of the provision so that the pension would not be allowed to fall below 17s 6d. weekly or to go above 20s. weekly. In other words, these upper and lower limits set out a range within which a rise or fall in the cost of living could effect an adjustment in the pension rate. These

adjustments were made annually. The scheme was abandoned in 1937, and in 1940 a new cost-of-living adjustment mechanism was introduced which was based on all the items in the cost-of-living index, including food, clothing, housing and so on. For each variation of 23 points in the index the pension was to be varied by 6 pence and there were to be quarterly adjustments. Several upward adjustments were made but in the fall of 1943 there was a decrease of 6 pence, after which, following widespread protests, the government abandoned the cost-of-living index procedure. Some of the reasons why they abandoned it are provided by statements made at that time in the Australian House, and the reasons given were as follows. In the first instance, the pension rate was relatively low in relation to the actual cost of living of a pensioner and that the reduction of the pension caused by a small drop in the cost-of-living index meant undue hardship to old age pensioners. Secondly, that certain anomalies had arisen as a result of the use of the cost-of-living index; the index did not vary in the same direction throughout the whole of the country; when the index rose in some areas of the country in others it remained at the same rate and in still others it even showed a drop; so that if the general index fell and the pension was reduced this adjustment might represent the situation in one section of the country but it might be found that in another section of the country the cost of living had actually increased at the same time the pension rate had been reduced. The only alternative in a situation like that would be to make regional adjustments which over the long run would result in a system of regional differentials in the pension rate. A third reason given for the abandonment of the cost-of-living adjustment procedure was that it caused considerable administrative work and expense.

Mr. LAING: Mr. Chairman, I see it refers to payments "per week" here; how are these payments made?

The WITNESS: Mr. Chairman, in most Australian literature the week is used in referring to the amounts but the age pension is paid fortnightly.

By Mr. Brown:

Q. I have a question I would like to ask in connection with page 10, with respect to aboriginals, in other words natives. Mr. Willard, you say that the old age pension may be paid to aboriginal natives who have been granted exemption from state laws. This has some application to us because of the fact that it has been recommended in our own country that the North American Indian be granted the pension. Will you tell us something about the exemptions in this case. These people are not kept on reserves in Australia, are they? Or, do you know anything about that? We will assume they are not.—A. I would like to make one comment first of all; are you comparing them, for instance to our Indians and Eskimos? In Canada all the Indians are under federal jurisdiction in regard to their health and welfare services whereas the aboriginal native in Australia is under state jurisdiction and the state is responsible for looking after the health and welfare services. When some aboriginals reach the stage where it is considered that they should enjoy the ordinary pension privileges available to other persons in Australia they are given those privileges.

By Mr. Brown:

Q. Who determines when they have arrived at that stage?—A. Well, if they have exemption from the state law, then they would presumably be in that position. It is the director general of social services, the administrator of the federal scheme, who is responsible for accepting those who are not exempt under the state laws, if any of these should apply. Mr. Chairman, I am sorry I have no figures as to the number of aboriginals that are receiving age pensions. I take it that the number is small, and if the committee feels that they would like to have some information on this point I will be glad to get it for them.

Q. I am not concerned about that. I am concerned with the fact that in Australia the aboriginal does receive the old age pension, generally speaking.—A. Mr. Chairman, I would not go so far as to say “generally speaking”.

Q. Well, when they arrive at a certain degree of culture, or what have you, when they have received their certificate from the state authorities, they are then in a position to obtain the old age pension.—A. Mr. Chairman, it is correct, as Mr. Brown said, that in some instances the aboriginal native may qualify for age pension in Australia, but as to the proportion that number might bear to the total number of eligible age, I cannot say. There are about 71,900 aboriginal natives, which include the full blood and the half-caste; but I do not know the proportion of those that would be eligible to receive old age benefits. I would think it would be very small.

Q. Well then, there are some aboriginal natives who obtain the old age pension?—A. Some, yes.

Mr. COTE: Is it not a fact that here in Canada our immigrants become entitled to or eligible for the old age pension from the moment they enter?

Mr. BROWN: I am speaking about Indians.

Mr. MACINNIS: That is the meaning of the sentence in the second last paragraph: “The pension is payable to the native or, where considered desirable, to the state agency controlling the affairs of these natives.”

Mr. BROWN: I am speaking about those who become citizens of the commonwealth.

The WITNESS: I would say that in effect they would have the same rights as others.

Mr. COTE: So the situation is not comparable as between Australia and Canada.

Mr. BROWN: Is the answer yes?

The WITNESS: Pardon me?

Mr. BROWN: Did you say yes?

Mr. COTE: So the situation is not comparable as between Australia and Canada.

The WITNESS: The situation is the reverse with respect to federal and state jurisdiction.

By The Chairman:

Q. Coming back to page 8, Mr. Willard, could you translate in our Canadian scheme the system of deductions that they have in Australia as to personal property? I do not want your translation to be too accurate, but just give us an idea as to how such a system would work in Canada.—A. Mr. Chairman, do I take it you would like a discussion of the property qualifications in Australia as compared with the property qualifications in Canada?

Q. Yes.—A. I would like to point out first of all, Mr. Chairman, there is a difference in that, in Australia, provision is made whereby property qualifications are included as part of the means test on a little different basis than in the case of Canada. In Australia they calculate the capital value of the property and, on the basis of that, determine the amount of deduction. For instance, at the first complete £10 over £100 in the case of property, deductions commence. In other words, in so far as property exemptions are concerned, there is a lower limit of £109. From £109 up to £450 they deduct £1 for each £10; and then from £450 to £750 they deduct £2 for every complete £10. If a single person has an income over £750 which is, using current rates of exchange,

about \$1,852, the single person is not eligible for pension; in the case of a married couple, the upper limit is £1,500 or \$3,705. Beyond those limits they would not be eligible.

With regard to Canada, we deal with property in this way. First of all, there is accumulated personal property, which includes liquid assets. The first \$250 of personal property in the case of a single person and \$500 in the case of a married couple is exempt, and above these amounts the property is assessed for income purposes on the basis of the amount of continuing income which the pensioner would receive if he converted his liquid assets into a dominion government annuity, based on age seventy. That is a federal requirement. Then we have accumulated real property, the treatment of which varies from province to province, for instance—

The CHAIRMAN: I don't want you to go into all that; we had that explained to us by Dr. Davidson. I am particularly interested in the personal property angle as it relates to Australia.

The WITNESS: Mr. Chairman, I just wanted to make sure that there was this distinction as to the way property is handled in the two countries.

The CHAIRMAN: That is all right.

The WITNESS: Property is included in the Australian scheme, only on a different basis to that of the Canadian plan. Now, with regard to income qualifications, aside from the property qualifications which I have already mentioned, there is allowable income for a single person of £78, which at the present rate of exchange would be about \$192.

The CHAIRMAN: Over and above the amount of the pension?

The WITNESS: Over and above the amount of the pension, which is £110/10/-, or approximately \$272.94, so that you would have, Mr. Chairman, a total possible income for pension and allowable income of £188/10/-, which would be approximately \$465.

Mr. KNOWLES: In the case of married couples it is exactly double at all times?

The CHAIRMAN: Not at all times, Mr. Knowles. If you will refer to the third paragraph on page 8, you will see the difference when the wife is not over 60.

Mr. KNOWLES: I am sorry. I said all points but what I meant was when both members were on the pension, both man and wife, the pension was the same and the amount of other income was the same and the total was the same. That is what I meant by at all points.

The WITNESS: That is correct.

Mr. FLEMING: The witness, in his last answer, was using the current rate of exchange in converting pounds into Canadian dollars. That is a fact?

The WITNESS: That is right.

Mr. FLEMING: That is subject to the same limitations, which are liable to throw a comparison considerably out of line.

The WITNESS: Mr. Fleming, that is correct. It makes it difficult to compare pension rates. The rate of exchange does give you a point of reference which, according to your own views, you may adjust upwards or downwards, depending on how you feel about the matter but, from an objective point of view it would be very difficult to give you an accurate comparison.

The CHAIRMAN: Mr. Willard—I do not recall at the moment—what is the annual amount that a person of 70 years may receive on an annuity basis for \$100, is it a nine per cent rate?

Dr. DAVIDSON: May I interject here, Mr. Chairman? \$1,000 personal property converted at annuity rates for a male at 70 years is \$102.35 a year.

The CHAIRMAN: That is around ten per cent?

Dr. DAVIDSON: Yes. And for a female it is \$87.26 a year.

The CHAIRMAN: That is about nine per cent?

Dr. DAVIDSON: Yes.

The CHAIRMAN: Now, what is the corresponding annuity at age 65?

Dr. DAVIDSON: I have not got the figures. They could be obtained, but they would be lower figures.

The CHAIRMAN: I understand that the rate is about ten per cent from £110 property value to £450, and from £450 to £750, it is 20 per cent, so the system of points would be less liberal—using the term in its literal sense—than in our system of basing it on an annuity basis. Is that right, Mr. Willard?

The WITNESS: Yes, I would think, Mr. Chairman, if you take it just for the people 70 years of age and over that would be right.

The CHAIRMAN: What about those 65 years of age?

The WITNESS: Well, ours does not apply.

The CHAIRMAN: Supposing that it did.

The WITNESS: Well, I would like to look at the rates first.

The CHAIRMAN: The Canadian system would be more favourable for people from age 65 to 70 than from age 70 and up, is that not right?

Mr. MACINNIS: Mr. Chairman, would Mr. Willard compare the definition of property, in appendix III, with ours. I have particular reference to the second paragraph.

The WITNESS: First of all, Mr. MacInnis, the value of the permanent home owned by the pensioner or by his spouse is disregarded in Australia while in Canada it is assessed. The value of any furniture and personal effects are disregarded both in Australia and in Canada. The surrender value, not exceeding £200, of life insurance policy is disregarded in Australia; in Canada that would be converted to a government annuity for purposes of income, with, of course, the exemption of \$250 for single people and \$500 for married couples.

Mr. MACINNIS: Disregarded in Australia?

The WITNESS: Well, it is disregarded in this way: anything up to £200 is disregarded but anything over £200 is not disregarded.

The capital value of any life interest or annuity would, of course, be disregarded there.

The CHAIRMAN: Yes, but the annuity would be taken into account against the income.

The WITNESS: Yes, that is correct, the annuity would be taken into account against the income in Australia, although the capital value of the annuity would be disregarded. In Canada, of course, we would take the income from the annuity into consideration.

In the case of the value of contingent interest and revisionary interest, there would be some variation between provinces and I am not exactly sure what the comparison would yield.

The value of any property, to which a person is entitled from an estate which was not received is disregarded in Australia; I do not believe that it would be included in Canada either.

The War Gratuities Act is not very applicable; it would be similar to our gratuities paid at the end of this war and there would be very few older people affected by it.

In computing the value of property the amount of any lawful encumbrances, other than those items which are disregarded, is deducted. Again, you will find that there is variation from province to province in Canada. In some cases, the

encumbrance is deducted, in others it is not. For instance, Ontario is an example of where it is not, but they have apparently adjusted their rates, to take care of that fact.

In Australia the value of the property of husband or wife is taken to be one-half of the value of the property of the husband and wife combined; in Canada the pension is based on the income from the property of husband and wife, which will produce roughly the same result.

As to the last paragraph in appendix III, insurance money which have been received with respect to damage or destruction of the permanent home, the exemption would probably also apply in Canada.

Mr. KNOWLES: Mr. Chairman, I fully realize, and I stated so already, that comparisons are difficult, if not impossible, to make between these two systems. I have been noting something here. I hope my arithmetic is more correct today than it was the other day when Dr. Davidson was on the stand, which, I think, might be noted.

Mr. LAING: We noted it.

Mr. KNOWLES: You did, with enthusiasm! I recognize that, in Australia, as compared with Canada there is a contributory scheme which is *quid pro quo*, bill the thing I wish to note is that in Canada a single pensioner is allowed to have other income equal to 25 per cent of the pension.

The CHAIRMAN: That will be 20 per cent; the difference between \$480 and \$600 is \$120, and that is four-fifths.

Mr. KNOWLES: \$120 is one-quarter of \$480.

The CHAIRMAN: I was making the calculation at \$600. You are right.

Mr. KNOWLES: It is your arithmetic today!

The CHAIRMAN: Mine is also good.

Mr. KNOWLES: What I said was that a single pensioner in Canada is entitled to other income equal to 25 per cent of the maximum pension; a married couple in Canada is entitled to other income equal to 12½ per cent of the maximum pension for married couples, that is \$120 compared to \$960. Am I right?

The CHAIRMAN: A married couple is entitled to \$1,080 which is the ceiling.

Mr. KNOWLES: \$120 is the other income allowed on top of a pension of \$960.

The CHAIRMAN: That is right.

Mr. KNOWLES: And \$120 is 12½ per cent of \$960. We arrive at the same comparison if we did it the way you want to do it, Mr. Chairman. In Australia, the amount of other income allowed in the case of both the single pensioner and the married couple is 70 per cent of the maximum pension, that is £78 in the case of a single pensioner; other allowable income is 70 per cent of £110/10/-, and similarly £156 is 70 per cent of £221, which is allowed a married couple. Now, may I go on and point out that in the case of the married couple where one member of the family is less than the pensionable age, in Australia, the figure is 140 per cent and in Canada it is 125 per cent.

The CHAIRMAN: Would you like to make a comment on that, Mr. Willard?

The WITNESS: Mr. Chairman, if we are going to use these figures to compare, as has been done in this case, I would point out that the pension in Canada is more favourable. Although the allowable income is smaller in the case of Canada. In these two instances they have made it up in the cash benefit in Canada. If you are going to use these figures and compare the two, look at the total income. In Australia you would have \$465.60, whereas in Canada you would have \$600. Now, of that amount Canada provides more in actual money paid out for the pension, so that it is a question of whether you would sooner have the money or the allowable income. I only pass that on as an observation.

Mr. KNOWLES: May I make an observation on that? I was sticking to percentages largely because of the Einsteinian talk Mr. Willard gave us earlier today, showing how difficult it was to make these comparisons, but I did take notes down at one point when he indicated that the pension in Australia is 24·4 per cent of the monthly wage, whereas in Canada it is 22·1 per cent. He has already made it clear to us you cannot make comparisons in actual dollars and pounds, so I would say if we are now going to get this comparison, I should be entitled to go on with a little more arithmetic, and say what the total is, in both countries, in comparison with the monthly wage.

The WITNESS: I am not endeavouring to compare the \$465 with the \$600 in Canada. What I am saying is that with the \$465 paid in Australia the actual amount of pension is smaller relative to the same situation in Canada. If you would sooner have the higher percentage of allowable income and a smaller percentage of cash pension, all right, but I think we should look at both sides.

Mr. KNOWLES: I want both.

The CHAIRMAN: What is the percentage of people 65 and over in Australia who are pensioners?

Mr. LAING: 31·2 per cent, it is quoted here.

The WITNESS: 37·9 per cent in 1947.

The CHAIRMAN: And I understand that in Canada, of people 70 and over the pension number is 41 per cent, is that true?

The WITNESS: On that point, Mr. Chairman, if we use comparable dates, I think you will find the percentage in Canada is almost the same as in Australia.

The CHAIRMAN: Which page is that information on?

Mr. LAING: It is on page 7 about three quarters down the page.

The CHAIRMAN: 37·9 per cent in 1947. What was Canada in 1947?

The WITNESS: I think you will find, Mr. Chairman, it was almost the same as that.

The CHAIRMAN: It is in Dr. Davidson's brief. In 1947—we find it at page 29 of our reports. In 1947 it was 37·6 per cent in Canada. And I understand that the system in Australia as well as in Canada is a means test system, that in Canada it is not contributory and in Australia it is contributory to the extent of certain forms of contribution at least.

The WITNESS: Mr. Chairman, the percentage of participation for 1947 was just about the same as the one you have pointed out. I would also like to mention that the Canadian pension is payable at seventy and over while the Australian pension is payable at sixty-five and over for men and at sixty and over for women, which might affect the rate of participation.

The CHAIRMAN: Are there any more questions before we go on to page 14?

Mr. FERRIE: What is the average life span in Australia as compared with Canada?

The WITNESS: I haven't that figure with me but I could give you comparable figures as to the number of people age sixty-five and over, and age sixty and over in the two countries, if that is of interest to you. First of all, for Canada for June, 1949 7·6 per cent of the population were sixty-five years of age and over; for Australia for June of 1947, 8 per cent of the population were age sixty-five or over.

Mr. BROWN: How about 1949?

The WITNESS: I am sorry, I haven't the 1949 figures; the only data that I have with me on Australia are the 1947 figures. In Canada, for June 1949,

11.3 per cent were in the age category, sixty years and over, whereas in Australia for June of 1947, 12.2 per cent were sixty years of age and over. This would indicate that there has been a slightly higher proportion of people in the older age groups in Australia.

Mr. KNOWLES: But it has increased there the same as here.

The WITNESS: It has increased there the same as here, but I would not say necessarily at the same rate.

Mr. KNOWLES: No.

The CHAIRMAN: Shall we go on then to the section on financing?

Some Hon. MEMBERS: Agreed.

By Mr. Knowles:

Q. Mr. Chairman, I would like to ask a question with regard to the structure of the taxing that is done; and, quite frankly, I would like to see the picture as a whole including the rates for social security and the general income tax rate as well. It seems to me that it is important and the committee certainly would consider it relevant when we are studying a question of that nature for this country that we should have that information. As I understand it there is a certain level, fairly high, which has to be obtained before the general income tax is applied but there is a much lower level at which the social security tax is applied. I take it that when you reach the level at which the general income tax is applied that those people pay both taxes. Now, it is possible for you, Mr. Willard, to perhaps supply a table to the committee later on showing the percentages, starting with the 1.25, and then the next percentage and so on up, and then when you reach the point at which the income tax is applied show the rates or the combination of the two so we will get the picture of the total combined income tax structure as assessed against the people of Australia.

The CHAIRMAN: An answer to that question was given in the House, I don't remember just how long ago but I think it was in the budget speech of two years ago; I believe it gave information of the kind you are now asking for.

Mr. KNOWLES: But I do not think it was given with respect to the individual. Frankly, I would like to compare it with our income tax schedule in this country and see whether there is some way of doing it if we are going to go into a contributory scheme, speaking without prejudice or commitment and I would like to have some information on these matters.

The CHAIRMAN: It is quite all right.

Mr. KNOWLES: I mean, of course, as to ways by which contributions could be grafted on or be made a part of our income tax structure as distinct from what is sometimes called a direct or flat rate income tax.

The CHAIRMAN: I believe, Mr. Willard, if you could supply that information to the committee it would be of interest.

The WITNESS: Mr. Chairman, would it be satisfactory if we had some photostatic copies made of the Australian tax form which shows the weekly instalment deductions the employer makes for his employees, indicating the amount he has deducted in respect of social service contributions and in respect of income for income tax purposes. Is that what you need?

Mr. KNOWLES: Do those deductions comprise the whole of the tax or are they like a proportion of deductions subject to settlement at the end of the year?

The WITNESS: I am not sure, Mr. Chairman, but the tax is paid by the great bulk of wage earners and the tax form will provide the type of information Mr. Knowles has requested since it shows the different levels at which the social services contributions increase.

Mr. KNOWLES: Does it show where the general income tax comes in?

The WITNESS: It shows where the general income tax comes in. Now, on page 18, we have given you a summary showing the level at which the social service contribution is applied and also a column indicating the level at which the annual income tax comes into effect.

The CHAIRMAN: Would you like to have the rates expressed in terms of percentage?

Mr. KNOWLES: I would like to have the rates expressed in terms of percentage rather than in pounds, shillings and pence, if you could do it in percentages or dollars.

The WITNESS: Mr. Chairman, I would also direct the attention of the committee to the chart on the page following page 19, which gives you an indication of the proportion of people who are paying social service contributions and those who are paying income tax and social service contributions.

Mr. KNOWLES: I appreciate that information. I think Mr. Willard gets my point, that there is just one class of information he has not given there, that is the actual rates in the various brackets and what they amount to when they are added together.

The CHAIRMAN: Can you supply that, Mr. Willard?

The WITNESS: Yes, Mr. Chairman.

The CHAIRMAN: Are there any more questions on financing?

Mr. KNOWLES: Would Mr. Willard comment further on the payroll tax and its relation to the other two taxes?

The WITNESS: Mr. Chairman, you will have noted that the pay roll tax commenced in the fiscal year 1941/42 as a tax designed to help finance the child endowment scheme, which is equivalent to our family allowance. At that time it was 2·5 per cent of payrolls. The tax was continued and on January 1, 1946, when all legislation for the social service program was consolidated, a provision was made whereby all these services would be financed out of the national welfare fund and steps were taken to include revenue derived from this 2·5 per cent tax as a part of the income of the national welfare fund. Now, this 2·5 per cent is not paid on payrolls under £1,040 annually, which translated at current rates of exchange would be about \$2,568. It is paid monthly by the employer, when one-twelfth of the annual payroll is paid to the Treasury. If there has been any overpayment a refund is made at the end of the year; that is, if there has been any overpayment over the £1,040 level. The only exempted employers are religious or benevolent institutions and public hospitals, the governor general and the state governors, and trade commissioners, diplomatic and consular representatives; other than these exceptions the payroll tax is applied right across the board at a straight 2·5 per cent of total payroll paid out by the employer.

By Mr. Knowles:

Q. That is paid by the employer on the payroll, not by way of deduction from the employee's pay?—A. No, not a deduction from the employee.

Q. It is not an additional tax?—A. No.

The CHAIRMAN: It is a tax on the payroll.

Mr. KNOWLES: That is the way I understand it and that is why I wanted to be clear on it; in other words; it is an employer's contribution.

The CHAIRMAN: It is a tax on payroll.

The WITNESS: There is provision made that if meals or sustenance are provided by the employer that would be included as part of his payroll, valued at 15s weekly or £38 annually. There is also provision whereby the employer who provides the employee with premises or quarters that this will be charged as part of the payroll to the extent of £13 annually.

Mr. FERRIE: In case a person who contributes to the fund dies can his widow take out what he has contributed into that fund?

The WITNESS: No.

The CHAIRMAN: Now, Mr. Willard, would you turn to your appendix No. 7? I would like you to comment on the fact that there is a balance from the previous year and apparently it increases from year to year.

The WITNESS: Mr. Chairman, all I can say in that regard is that it is apparently the policy of the Australian government to allow a reserve to build up over a period of time. It may be because the national welfare fund is used to finance all social services that they feel there will be some liability with respect to unemployment benefits and they may wish to build up these funds on a cyclical basis during favourable periods. If you only have to finance something like the child endowment you can calculate that fairly readily. I really have no information to provide the committee on this point, but I would take it that the purpose of part of this reserve is to build up in good times some provision for heavy commitments in times of unemployment for benefits in less favourable times under less favourable economic conditions. It is interesting to note that a reserve has been built up in Australia whereas in New Zealand they are following a different procedure; they are not building up any large reserves; they are only maintaining a very small contingency reserve each year. Another point I perhaps should mention here is this, that up to date the consolidated revenue fund, that is in the last few years, has not been providing any funds for the national welfare fund in Australia whereas in New Zealand very large contributions are made annually from the consolidated revenue fund to the social security fund.

The CHAIRMAN: So that the possible increase in unemployment benefit demands would appear to be the only reason for the building up of the reserve indicated in your appendix No. 8?

The WITNESS: Yes.

Mr. BROOKS: The witness referred to unemployment insurance in Australia as the reason for the building up of this reserve. I would be more inclined to think that they were building this fund up against the time when they are going to have to pay these benefits, that this money would be used for that purpose rather than for unemployment insurance.

The WITNESS: Mr. Chairman, the government of Australia has been planning to expand their health service program and possibly they have been making some provision to that end. I understand that they intend to go into the health insurance field and plan to spend some of the monies from this fund in that field. In that way they might have another call upon the reserve in this fund. I would point out with respect to the unemployment benefits that they are paid on a means test basis; and with regard to that means test, it includes income but not property as far as qualification is concerned. You will recall, they have income and property qualifications for the means test age pension. And I mention a further factor, they may feel that age benefit will make heavy demands in the years ahead and that it is desirable to build up a reserve for heavier commitments in the years ahead.

The CHAIRMAN: Or, make provision for a reduction in national income.

The WITNESS: Yes.

Mr. KNOWLES: It has been noted, now that you have called attention to appendix 8, that the payments that are made by way of social welfare tax and payroll tax and others cover quite a number of items.

The CHAIRMAN: Yes.

Mr. KNOWLES: But it is true, is it not, that no other payment is required from persons in Australia as, for example, we have the unemployment insurance

tax here. They do not have any unemployment insurance tax except through the social service tax which we have already discussed, and this appendix 8 does show that when they make that payment they get coverage under thirteen different headings—and one of these headings is divided into two so that makes fourteen points of coverage.

The WITNESS: Mr. Chairman, that is correct, that at the present the provision for these social services is met out of the moneys raised through these two taxes.

The CHAIRMAN: Yes, but the maternity allowance is comparable to our family allowance in operation.

Mr. KNOWLES: But not as to amount.

The CHAIRMAN: What would be the amount there?

Mr. KNOWLES: £31,000,000.

The CHAIRMAN: Yes, it is much lower.

Mr. PICARD: There is a point on which I would like to have Mr. Willard's opinion, the matter of property qualifications. Do I understand that that is taken care of through the application of a means test?

The WITNESS: In so far as old age benefits are concerned, yes.

Mr. MACINNIS: With regard to a means test, I understand that you have other qualifications besides property?

The WITNESS: Yes, they have the income qualification as well.

Mr. KNOWLES: Would Mr. Willard care to make any comment on the idea of building up a fund like this for our purposes as compared with the theory of collecting each year roughly the amount equal to the liabilities for that year?

The CHAIRMAN: You mean, here in Canada?

Mr. KNOWLES: I am asking a theoretical question now, if it is in order.

The CHAIRMAN: Certainly.

Mr. MACINNIS: I do not think the witness should be asked to answer that.

The CHAIRMAN: I think that is up to the members of the committee to decide.

Mr. PICARD: Is it the duty of any witness to express his views for what benefit they may be to the committee by way of enlightenment in their consideration of the problem before them?

The CHAIRMAN: I would not like to embarrass Mr. Willard by asking him to express an opinion on a matter of policy; however, we will ask him if he wishes to answer the question.

Mr. PICARD: I think most of the witnesses who appear before us are very competent, and that we would benefit from an expression of their views on a matter of this kind. I think it might be very helpful to us.

Mr. KNOWLES: The only comparable thing in Canada is unemployment insurance, the unemployment insurance fund, with respect to which a similar practice is being followed. I think it would be of benefit to the committee if Mr. Willard would give us the benefit of his views on the matter.

Mr. MACINNIS: I think it should be pointed out that unemployment insurance here is not on all fours with this unemployment insurance fund in Australia. The Canadian unemployment insurance fund is on an actuarial basis whereas in Australia it is not on an actuarial basis.

The WITNESS: Do you wish me to reply to that, Mr. Chairman?

The CHAIRMAN: That is up to you.

The WITNESS: Mr. Chairman, I can only express a personal opinion on this matter, and I would like to underline the fact that there is a difference between

the provision of reserves for an unemployment insurance fund and reserves for old age insurance; the one is a cyclical balancing of revenues and the other is a secular problem whereby under a reserve principle you would have to build up at the present very heavy reserves to be paid out some years from now. My personal view for what it is worth is that in financing old age income security the pay-as-you-go system is the most satisfactory type of scheme.

Mr. KNOWLES: Thank you.

Mr. PICARD: I do appreciate that because I think too many witnesses who come here express general views and are rather reluctant to give us the benefit of their own views. Here we have a witness who has willingly expressed his views on the matter to us and he is entitled to our appreciation and thanks.

The CHAIRMAN: Are there any questions at large with regard to the situation in Australia? If not I wish to thank Dr. Willard for the very educational information that he has given to the committee, and I am sure that when he comes again he will be able to give us more very useful information on the operation of these schemes in other countries.

We will now adjourn until 4 o'clock this afternoon, but I would ask members of the steering committee to remain a few minutes for a meeting.

The committee adjourned to meet again this day at 4 p.m.

AFTERNOON SESSION

The committee resumed at 4 p.m.

The CHAIRMAN: Order, gentlemen, we have a quorum.

This morning we had a meeting of the steering committee and it was agreed unanimously that there would be a change in our schedule of sittings. It was proposed and agreed that starting from now on we would sit on Monday, Tuesday and Wednesday afternoons at 4 o'clock and on Thursday and Friday mornings at 11. We will have only one sitting a day but keep the same number of sittings.

Mr. KNOWLES: Is it not possible to have the Tuesday sitting in the morning?

The CHAIRMAN: That was discussed at considerable length and we had to compromise between two members of the steering committee one of whom would like to have had both the sittings on Tuesday and Thursday in the morning and the other one would have liked to have had them both in the afternoon, and so as to make them both contented we decided to have the sittings held as I have indicated.

Now, we propose to go on this afternoon with a study of the New Zealand system, and as you will note a study of the system in New Zealand will bring forward a new feature, which is the universal superannuation program. The steering committee were of the opinion that the study of the New Zealand situation should be at greater length than the study we have given to the Australian system, because of the fact that the Australian system is a means test system, which after all is not greatly different from our own so we do not have to spend too much time on it; but the new features we will have in the New Zealand system will I am sure be of interest to members of the committee. Mr. Ferrie—

Mr. FERRIE: Yes, we have talked New Zealand, New Zealand, New Zealand, for twenty years and we never got anything yet out of New Zealand.

The CHAIRMAN: We will see what they have there and then we will know whether it is something worth copying or not. However, that was the unanimous opinion of the steering committee.

Mr. FERRIE: If we cannot do any better than New Zealand we had better stop right now.

The CHAIRMAN: No, but it is a very good thing to study the program they have there so that we will not make the mistakes, if any, which they did, and so that if possible we can improve on their system.

Mr. BROOKS: New Zealand did not have the benefit of the honourable member.

Mr. FERRIE: They didn't have you either.

Mr. BROOKS: No, I do not know anything about it.

The CHAIRMAN: Gentlemen, if you are ready I will ask Dr. Davidson to explain the New Zealand system to us now.

Mr. FERRIE: One thing I will tell you, Mr. Brooks, I have built one of these and you have not, and it is working too.

The CHAIRMAN: Please; order, gentlemen, we will try to avoid any personal differences.

Mr. FERRIE: Here it is, if you want to read all about it.

The CHAIRMAN: All right, Dr. Davidson.

Dr. G. F. Davidson, Deputy Minister of Welfare, called:

The WITNESS: In view of the fact that there was some question raised this morning, Mr. Chairman, about the significance of the study of the plans of other countries in relation to our own problem I wonder if you would permit me before launching into New Zealand proper to make some observations on certain principles in both the New Zealand and Australian approach to old age security and other forms of social security which I think are distinctive and important for us to understand in making our own plans.

The CHAIRMAN: Since you are not going to read the statement I propose that it be incorporated into our minutes of evidence so that the record will be complete and your comments will follow. Is that agreed?

Some Hon. MEMBERS: Agreed.

OLD AGE SECURITY PROGRAMS NEW ZEALAND

Memorandum No. 2, Social Security Series

RESEARCH DIVISION

DEPARTMENT OF NATIONAL HEALTH AND WELFARE

OTTAWA

MARCH 1950

I. INTRODUCTION

Old age income maintenance measures in New Zealand are an integral part of a comprehensive and co-ordinated universal social security system evolved from earlier categorical programs. The Old Age Pensions Act of November 1898 was the first statutory provision made by any British country for this form of assistance to aged persons. This means test scheme, with minor alterations and extensions, is the age-benefit program under the present Social Security Act.

In 1940 an entirely new principle in old age income security for New Zealand was adopted with the introduction of a universal superannuation benefit. Since

the initial benefits under this program are small, the old age means test pension had to be retained as the main old age income maintenance program in New Zealand while the universal superannuation benefit is maturing.

The maximum age-benefit payable to persons 60 years of age and over, on a means test basis, is at present £130 (\$401·31)¹ per annum. For the fiscal year 1950-51, a non-means test superannuation benefit of £35 (\$108·04)¹ per annum is payable to persons 65 years of age and over.

In addition to cash benefit programs which include, on a means test basis, the age, invalids', widows', orphans', sickness, unemployment² and emergency benefits and, on a non-means test basis, the superannuation, family (family allowances), miners', and Maori war benefits, the New Zealand program provides a comprehensive scheme of public medical and hospital care and other related health services.

Expenditures for cash benefits, health services, and administration are financed on a current-cost basis from the Social Security Fund, which receives income from a 7½ per cent charge on wages, salaries and other income and an annual grant from consolidated revenue.

The age-benefit and universal superannuation benefit, in common with all monetary benefits under the Social Security Act, are administered by the Social Security Department under a Social Security Commission while administration of the health services is the responsibility of the Department of Health. Collection of the social security contribution is a function of the Land and Income Tax Department.

In addition to the income maintenance programs specifically related to old age income security some of the recipients of other benefits such as widows', invalids', miners' and emergency benefits are in the older age groups. Further, the health benefits, which are not conditioned by an income test, provide an important supplement to the various income maintenance programs.

The old-age income security program should be considered against the background of its social and economic setting. New Zealand is a small country with a unitary form of government. It covers an area equal to about 40 per cent of any one of the Prairie Provinces. With almost 1·9 million people, it approximates the combined populations of British Columbia and Alberta and has a comparatively homogeneous population, with non-white persons, mainly Maoris, representing about 6 per cent. In age distribution, the population is not unlike that of Canada. Approximately 26 per cent of its population, excluding Maoris, was under age 15 in 1945; for Canada for the same year, the percentage was 27·5. The older population has been increasing somewhat more rapidly than in Canada. About 6·5 per cent of the New Zealand population, excluding Maoris, was age 65 and over in 1936; this figure rose to 9 per cent in 1945. For the same years the figures for Canada were 6·1 and 7·1 per cent, respectively.

While for many years New Zealand has been predominantly agricultural, manufacturing now constitutes a major sector in the economy although much of this development has been in industries for processing meat and dairy products. The majority of the people live in urban centres and rely upon wages and salaries for income. About 53 per cent of the population lived in urban areas in 1947 while wages and salaries was the largest item, 48·9 per cent, of private

¹ The current rate of exchange is \$3·087 Canadian dollars for a New Zealand pound. This exchange rate is helpful in indicating what a New Zealand cash benefit would provide if the benefit were paid to a beneficiary in Canada and is the only yardstick available for translating the cash benefit into Canadian terms. It does not, however, measure in Canadian terms the actual purchasing power of a New Zealand cash benefit expended in New Zealand. Such a comparison involves not only the amount of the cash benefit but also the relation of that cash benefit to price levels and consumption patterns.

² The Act does not set out any income and property qualification for the unemployment benefit, although the Social Security Commission may, in its discretion, consider such qualifications and reduce the benefit.

income in 1949. The next largest item was income from farming which amounted to about 14 per cent. In Canada in 1941 about 54·3 per cent of the population lived in urban areas, wages and salaries constituted about 59 per cent of personal income in 1948 and net income of farm operators from farm production amounted to about 14 per cent.

New Zealand has a dependent as contrasted with a self-sufficient economy. The prosperity of the country is affected to a considerable extent by world trade and, particularly, by marketing arrangements with the British Commonwealth. Much has depended upon the prices received for its exports, which are mainly butter, cheese, meat, hides, wool and other farm products. Receipts from the sale of these exports have provided a considerable proportion of the income for the purchase of imports of machinery, transportation equipment, textiles and other manufactured products. Living standards of the country, as well as the social security system, may be favourably or unfavourably affected by fluctuations in world prices for agricultural products which form a dominant factor in the New Zealand economy.

The smallness of the population and area of the country, the relative homogeneity of the population, the existence of a unitary form of government, and the absence of any significant regional differences in living costs and standards are factors which have contributed to the simplicity and directness of the New Zealand social security program and its administration.

II. AGE-BENEFIT

Non-contributory old age pensions were established in New Zealand in 1898, seven years after the non-contributory pension was originated by Denmark. During the next 40 years, widows' pensions, miners' pensions, pensions for the blind, family allowances, and invalids' pensions were introduced, in that order, in New Zealand.

Under the Social Security Act of 1938, the cash benefit programs, including old age pensions, were grouped together for administrative and financial purposes under one comprehensive scheme, to which all adults had to contribute. With this inclusion of old age pension (now called age-benefit) under a contributory scheme the pensionable age was reduced from 65 to 60 but the means test was retained. Thus, under existing legislation an age-benefit is payable monthly on the basis of a means test to any resident, male or female, 60 years of age or over. The maximum rate of the age-benefit is £2/10/- a week or £130 per annum.

The age-benefit is one of the most costly measures under the New Zealand social security program. At the end of September 1949, there were 115,299 recipients and an estimated £15,350,000 was paid out in age-benefits during the fiscal year 1949-50, representing about 33·2 per cent of all expenditures from the Social Security Fund during that period. The amount of money expended through age-benefits was several times as large as that spent through the non-means test superannuation benefits.

In March 1945, there were 104,653 persons in receipt of the age-benefits.¹ This number represented 47·2 per cent of the population age 60 and over. It is estimated that approximately 63 per cent of the age group 65 and over, and about 18 per cent of the age group 60 to 64 were receiving age-benefits.

While the maximum age-benefit is £130 per annum, the rate of pension payable depends primarily on the means of the claimant. The two elements in the test used to determine means are the amount of allowable income and the value of accumulated property.

¹The latest date for which age distribution details available.

1. Income Qualifications

For the purpose of determining the amount of age-benefit, the income of an applicant is, up to a certain amount, disregarded. Two levels are thus established, the amount of the age-benefit, £130, which represents the minimum income available to a beneficiary, and the amount of the age-benefit plus allowable income, which represents the maximum income available to a beneficiary from all sources. If the applicant's total income including age-benefit and allowable income exceeds the maximum allowed, his age-benefit is reduced by the amount of the excess. The definition of allowable income is given in Appendix I.

For determining the rate of benefit payable, applicants for age-benefit are placed in three classes: (1) single, widowed, divorced or legally separated persons; (2) married persons (only one spouse eligible); (3) married persons (both eligible). The basic rates and allowable income for these categories are summarized in Table I.

A single person's maximum age-benefit of £130 per annum is reduced by £1 for every complete £1 by which the person's allowable income exceeds £78 per year. Hence, the total income ceiling for age-benefits and allowable income is £208.

TABLE I
BASIC RATES AND ALLOWABLE INCOME FOR AGE-BENEFITS FOR
DIFFERENT CLASSES OF APPLICANTS

Applicant	Yearly basic rate	Yearly allowable income	Total of benefit and allowable income
	£	£	£
Single, widowed, separated or divorced.....	130	78	208
Married persons (only one spouse eligible).....	130	208	338
Married persons (both eligible).....	130 (each)	78	338

When the husband and wife are both eligible, each receives a benefit of £130 which is reduced by 10 shillings for every £1 by which the total allowable income of the couple is in excess of £78 a year. This means that the total income including age-benefits, when both husband and wife are eligible, has a ceiling of £338 a year.

When either the husband or wife is eligible, the benefit is reduced by £1 for every £1 by which the total allowable income of the couple exceeds £208 per year. In other words the total income, including age-benefit, of the two persons may be £338 without effecting any reduction in the amount of age-benefit provided.

In the case of a married man who is eligible for an age-benefit when his wife is not, the Social Security Commission may increase his age-benefit by any amount not exceeding £130 per year, provided that the total of the benefit and the allowable income of the couple does not exceed £338 per year. The Commission has, therefore, the power to give to every married couple, of which only the husband is eligible, an age-benefit not exceeding £260 per year. It is understood that the Commission provides this discretionary benefit automatically in every case where the man is otherwise eligible for it.

One factor in income qualification is the treatment of income from relatives. "... There is no imputation of income where none exists and no assumption that other relatives should contribute to support".¹ "... The Social Security Department never attempts to force relatives to assist a claimant for benefit even if

¹ *Cash Benefits Under the New Zealand Social Security Program*, Federal Security Agency, Washington, 1945, p. 13.

they have the means to do so".¹ This policy is in contrast to the poor law practice which assumes relatives' responsibility in the application of the means test under public assistance programs.

2. *Property Qualifications*

The New Zealand age-benefit scheme considers also the accumulated property of the applicant. The annual age-benefit is reduced £1 for each £10 of accumulated property in excess of £500. However, no account is taken of the value of the home and furniture; personal effects; any interest in land or mortgages on land; or any interest in an annuity or in an unmaturing life insurance policy. Income from any of this property is not, however, excluded in the determination of income. A reasonably generous exemption is permitted and accumulated property is defined in such a way as to conserve the beneficiary's equity in those capital resources which are required over and above sources of current income.

The value of the accumulated property of any married applicant is equivalent to one-half the value of the combined properties of the couple. In case the husband or wife dies, the capital value of the accumulated property of the survivor remains the same and does not automatically double.

If the accumulated property yields an income, reduction of the age-benefit is made on the basis of whichever provides the greater reduction, the value of the accumulated property or the income from that property, but not both.

If an applicant for an age-benefit is directly or indirectly depriving himself of any property or income in order that he may qualify, the Social Security Commission may, in its discretion, refuse to pay all or part of the benefit.

Illustrations of the effect of varying amounts of allowable income and property on the age-benefit of a single person are shown in Appendix II. The reductions in the age-benefits of a married couple due to different amounts of other income are given in Appendix III while Appendix IV shows the effects of property on the age-benefits of a married couple.

3. *Residence Qualifications*

The Social Security Act provides for certain residence qualifications which apply to both the superannuation benefit and the age-benefit.

Residence requirements are more restrictive for superannuation, age and invalids' benefits than for short-term and family benefits. In the case of the superannuation and age benefit, the minimum requirement is ten years for those who were residing in New Zealand on March 15, 1938, and twenty years for those who were not, with certain allowance for absences. Appendix V sets out in detail the residence requirements for age and superannuation benefits.

4. *Character Qualifications*

Prominent in the earlier laws for old age pensions in countries such as New Zealand and Australia were moral conditions which provided pensions only to individuals considered "worthy". In New Zealand this requirement has been carried forward into present-day legislation. For example, a claimant must be "of good moral character and sober habits" in order to be eligible for an age-benefit. Also, the applicant must not have deserted or wilfully failed to maintain his or her spouse or children, in the five years preceding application for benefit. In some countries, such as Canada and South Africa, the old age pension laws have no character qualifications, while, in the old age pension legislation in Great Britain, this same type of qualification was found, after a few years, to be impracticable and was abolished.

¹ Lipson, "The New Zealand Means Test", *Public Administration*, London, Winter Number, 1944/45, p. 134.

5. Age-Benefit in Relation to Other Programs

Age-Benefit for Superannuation Benefit Recipients. If a beneficiary in receipt of a superannuation benefit is later granted an age-benefit, the amount of the superannuation benefit is merged in the amount of the age-benefit granted. The superannuation benefit is relatively small in the early years of the program and many of the persons 65 years and over find the amount insufficient to meet their needs. These persons usually apply for the means test age-benefit, and, having done so, the superannuation benefit is included in and forms a part of the age-benefit granted.

Age-Benefit for Blind Persons. Where the applicant is totally blind, the amount of age-benefit together with any benefits and allowances payable to or in respect of the spouse is not allowed to be less than the total of the benefits and allowances which would have been payable if the applicant had been eligible for an invalid's benefit.

Veterans of the South African War and War Pensioners. Certain veterans of the South African War, if age beneficiaries, may receive a special allowance not exceeding £13/13/- per annum, but only where income from all sources, including the allowance, does not exceed £208 per annum. For war pensioners, the amount of a pension received under the War Pensions Act in respect of personal disablement is taken into account in arriving at the rate of age-benefit payable. Special regulations govern the cases of persons receiving pensions under the War Pensions Act, 1915, and the War Veterans Allowance Act, 1935.

III. SUPERANNUATION BENEFIT

In 1940 a superannuation benefit, payable to all residents age 65 and over, was inaugurated. Its introduction was based on the assumption that old age is a universal risk open to all persons, irrespective of occupation, income or any other factors. Benefits are not related to the number or amount of social security contributions but are payable at a flat rate.

By providing, initially, a very modest benefit which will mature over a long period of time, the high cost of the immediate introduction of a non-means test universal benefit at full scale has been avoided. Appendix VI sets out the annual rates of superannuation benefit from its introduction in 1940 until its maturity. The benefit increases at the rate of £2/10/- annually until the maximum benefit of £130, equal to the maximum age-benefit now payable, is reached in 1988. At that time the age-benefit will be replaced by the superannuation benefit for all persons age 65 and over. However, persons in the group 60 to 64, inclusive, will still be eligible for the age-benefit on a means test basis.

For the year 1950-51, the superannuation benefit is payable at the rate of £35 annually. Other than the attainment of age 65, the only qualification is that of residence, for which the requirements are set out in Appendix V.

There were 68,167 persons receiving superannuation benefits at the end of September 1949 and, according to official estimates, £2,195,500 was paid out in these benefits during the fiscal year 1949-50, representing about 4.8 per cent of all expenditure from the Social Security Fund during that period.

Since the non-means test superannuation benefit is relatively small in the early years of the program, many persons age 65 and over find the amount insufficient to meet their needs. These persons usually apply for the means test age-benefit. When they do, their superannuation benefit forms a part of the age-benefit. Thus, in addition to the 68,167 persons age 65 and over who were receiving superannuation benefits at the end of September 1949, there were an estimated 98,000 persons in the same age group who had their superannuation benefits merged with their age-benefits.

The estimated £15,350,000 paid out in age-benefits in the fiscal year 1949-50 included, therefore, some outlays that would have been made in the form of non-means test superannuation, if that benefit had not been merged with the age-benefit. It is estimated that about £3,185,000 of the £15,350,000 would, theoretically, be a commitment under superannuation. If this amount is added to the £2,195,500 which was actually paid out in superannuation benefits, the total commitment for superannuation in 1949-50 would have been about £5.4 million. However, even on this basis, the means test age-benefit expenditure (£12.2 million) would be about $2\frac{1}{4}$ times as large as that for the non-means test superannuation benefit (£5.4 million).

The merit of the New Zealand superannuation scheme lies in its universal coverage, with a benefit payable at age 65, and in the legislative authority for automatic increases in the benefit rate to improve its adequacy. Thus, any supplementary income which may be necessary at retirement can be centered around the superannuation benefit and, as times goes by, the amount of supplementary income required will decrease. Against these advantages must be set certain inadequacies. The low benefit provided since the inception of the scheme has forced wide participation in the means test program and it will be many years before the superannuation benefit, which is maturing gradually, will, in itself, provide adequate income maintenance for the aged. While under this plan costs are comparatively low at the present time, they will mount steadily, owing to the annual increments in the benefit and to the increase in the number of older persons.

IV. FINANCING THE PROGRAM

1. *The Social Security Fund*

Both the age-benefit and the superannuation benefit are payable from the Social Security Fund which was established by the Social Security Act and is maintained as a separate account in the Treasury ledger accounts.

The two main sources of revenue for the Social Security Fund are the social security contribution and an annual appropriation from the consolidated fund. Any accumulated balance from the previous year's operation is carried forward while a small amount accrues to the Fund from fines and penalties payable under the Act¹. It is not the policy of the Treasury to credit the Social Security Fund with interest on surplus funds that may be temporarily invested since any interest accruing would correspondingly reduce the amount of subsidy required from the Consolidated Fund².

The annual appropriation from the Consolidated Fund supplements the other Fund revenues to the extent needed to provide for the total expenditures in the year and to maintain a contingency reserve of several million pounds. Thus, apart from the contingency reserve, the social security program in New Zealand is financed on a pay-as-you-go basis and avoids the problems related to large reserves. The annual appropriation permits the Government to integrate the financing of this program with general fiscal policy. For example, a rise in unemployment would greatly increase outlays for unemployment benefits at a time when revenues from the social security contributions would probably have fallen, thereby increasing the subsidy required from consolidated revenue.

With respect to the need for reserves to meet increased future liabilities of old age income security, it was recognized that the output of the economy in any year in which social security benefits are paid must furnish the goods and services consumed by the beneficiaries at that time. The real burden of maintaining the

¹ An annual social security registration fee payable by all persons over 16 years of age was introduced in 1938 but was abolished by an amendment to the Act in 1945.

² *Systems of Social Security, New Zealand*, International Labour Office, Geneva, 1949, p. 65.

aged in the future cannot be provided by the present contributors by currently accumulating credits in a reserve fund. It was appreciated that the government could not practicably establish a reserve in any form except its own obligations and that, while a claim of one sector of the community (e.g., the aged) against the taxpayers of the community can be built up for future years by such a reserve, the real burden to the country cannot be shifted over time.

The Fund finances the cost of monetary benefits, health services and administration in some cases with, and in others without, appropriation by Parliament. Monetary benefits for old age, widows, orphans, families, invalids, miners, sickness, unemployment and Maori war veterans, as well as for any refunds payable in respect of the social security contribution, are payable from the Social Security Fund without any appropriation by Parliament. On the other hand, the universally available health services, social security administration costs, the cost of education and research in the fields of public health and social welfare and any other programs related to the Act, are financed from the Fund only in accordance with appropriations of Parliament.

The following is the estimate of Social Security Fund receipts for the fiscal year 1949-50:

Receipts	Amount	Per Cent
Social Security contribution	£31,600,000	60.4
Miscellaneous receipts	36,000	0.1
Balance from previous years	8,681,917	16.6
Transfer from consolidated fund	12,000,000	22.9
Total	£52,317,917	100.0

The distribution of receipts and expenditures is illustrated in the accompanying chart. Detailed expenditures under the various categories are given in Appendix VII.

Payments for age-benefits and superannuation benefits represented about 33.5 per cent of the expenditure of the Fund for 1949-50, including the balance of £6,099,247. On the other hand, if this anticipated balance is excluded, the expenditure on old age income maintenance programs rises to about 38 per cent. This points up the relative importance of the old age income security measures in relation to other social security programs.

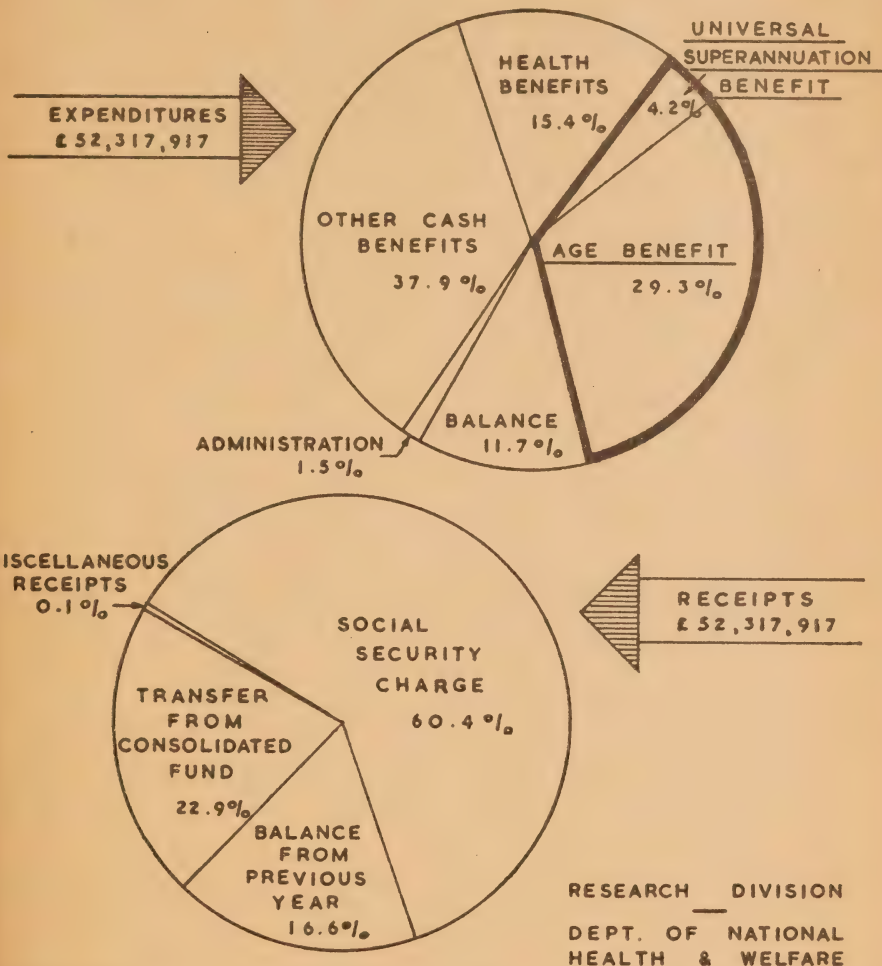
With a rising superannuation benefit rate, the annual cost of old age income security is steadily increasing. When this is combined with the increase in proportion of persons 65 years and over, the present legislation makes very heavy financial commitments for old age income maintenance in future years. At the same time, it is anticipated that an increase in average man-hour productivity will accompany these increased costs thereby strengthening the capacity of the New Zealand economy to offset partially or totally this rising financial burden.

Transfer incomes of £39.5 million were paid in 1948-49 as social security benefits and war pensions. In the same year the national income (net national income at factor cost which excludes transfer incomes) was an estimated £419 million. Accordingly, social security benefits and war pensions represented about 9.4 per cent of national income while the £15.6 million paid in age-benefits and superannuation benefits in 1948-49 represented about 3.7 per cent.

The estimated £31,600,000 which is to be raised in 1949-50 through the social security charge represents about 20.7 per cent of all revenues of the central government and about 23.8 per cent of all taxation revenues anticipated for this year. Estimated expenditures for the social security program in 1949-50 have been placed at £46.2 million, an amount equal to about 30.2 per cent of all revenues of the central government or about 34.8 per cent of its taxation revenues. Revenues for the New Zealand Government for the years 1948-49 and 1949-50 are set out in Appendix VIII.

NEW ZEALAND SOCIAL SECURITY FUND

ESTIMATE FOR 1949-50



2. The Social Security Contribution

The social security contribution is a specially earmarked flat rate income tax or contribution on salaries, wages, and other income at a rate of one penny for every 13½d., or 7½ per cent. The introduction of this social security charge in the 1938 Act was not an innovation. During the thirties a similar levy, known as the Emergency Unemployment Charge, was placed upon individual income (but not company income¹) to assist in financing the country's

¹ Company dividend income received by individuals was subject to the Emergency Unemployment Charge so that the extension of the Social Security Contribution to company income under the 1938 Act was not entirely a new source of revenue.

unemployment relief program. This tax, which varied from a low of 1½ per cent in 1931 to a high of 5 per cent in 1932, was at a rate of 3½ per cent from 1935 until it was placed under the 1938 Act by a 5 per cent Social Security Contribution. This new contribution taxed not only wages and salaries without exemption for marital status and dependents, but also company net income. The rate was subsequently raised to 7½ per cent.

Income against which the contribution is charged falls into three classes: (1) wages and salaries, (2) individual income other than wages and salaries, and (3) net company income. Workmen's compensation, social security benefits and war pensions are exempt from the social security charge. Dividends derived from a company which has paid the social security contribution on its income or profits are not taxed, so that double taxation of dividends is avoided.

Provisions relating to the assessment, collection and recovery of the social security contribution are administered as an income tax with the responsibility for collection of the contribution resting upon the Commissioner of Taxes in the Land and Income Tax Department.

Every person 16 years of age and over residing in New Zealand is liable for the payment of the social security contribution. A person who arrives in New Zealand and remains for a continuous period of not less than 12 months is also liable for the tax. A few specific classes of persons, such as diplomatic representatives and persons employed by international organizations, have been exempted by order in council from payment of the contribution. In addition, the Commissioner of Taxes may in cases of hardship exempt any person or company from the payment of any instalment of the contribution or of a penalty. All companies located in New Zealand are liable for the tax, as are non-resident companies in respect of the income derived by them from New Zealand.

The social security charge on salaries and wages is deducted at the source. The employer is responsible for making these payroll deductions and maintaining necessary records. Where the contributions collected by a firm exceed £2 for a pay period, payment is made directly to the Land and Income Tax Department or at a money-order post office and receipts for these payments are attached to the firm's wage records. If the deductions are less than £2, the employer is required to affix social security stamps of the appropriate denomination on the firm's wage records. Stamps are purchased at post offices. A firm's wage records, showing cancelled stamps or income tax receipts must be available for inspection for a minimum period of five years.

As well as being a charge on wages and salaries, the social security contribution is levied on income other than salaries and wages. Recipients of such income must make an annual declaration and pay the contribution in two equal instalments on July 1 and November 1.

Net company income is also subject to the social security tax and companies have their contributions assessed on their income tax returns which are made out annually. The contribution is payable in one sum.

Penalties are imposed if an individual or firm fails to pay the tax and the employer is liable to penalties for failure to deduct contributions on behalf of his employees or to account for any amount which has been deducted. The Social Security Department may refuse or reduce the benefit if there has been a default in payment.

The main portion of the social security contribution is obtained from salaries and wages. For example, in the fiscal year 1945-46, 62·9 per cent was received from this source while 13·4 per cent was derived from net company income and 23·7 per cent from individual income other than salaries, wages and net company income. Appendix IX gives the amounts of revenue derived by the social security charge from these three types of income while similar factors under national income accounts are shown in Appendix X.

Since the contribution is not graduated progressively in accordance with capacity to pay and since no provision is made for exemptions for marital status and dependents, the tax bears heavily on the lower income groups. On the other hand, persons in the low income area probably receive a greater share of the monetary benefits paid out.

The social security charge on company income is not a tax on payroll and therefore provides no special inducement to an employer to reduce his payroll or to substitute machines for men. The amount of contribution is related to the income or profits of the firm with the result that, if the firm is operating with a deficit, it will not have to pay any social security contribution. Accordingly under depressed economic conditions the firm would have no direct incentive to release workers in order to reduce its tax costs. However, employers are individuals pay the charge on their own income and, to the extent that general taxes are used to finance the scheme, they contribute indirectly.

The social security charge has the advantage of being a combined contribution for a number of benefit programs.¹ By avoiding a number of individual earmarked levies the combined contribution simplifies administrative procedures, and reduces administrative costs both to employers and the government. Further, eligibility for and the size of benefit are not determined by the number and magnitude of contributions that have been made. The purpose of the social security contribution is to raise revenue, not to establish benefit right. Neither the Social Security Department nor the Land and Income Tax Department maintains individual contribution records. This avoids the complicated and costly administrative machinery required under schemes where the benefit is determined on the basis of individual records.

V. ADMINISTRATION

Administration of cash benefits provided under the Act is the responsibility of the Social Security Commission, under the general direction and control of the Minister of Social Security. The members of the Social Security Commission, which is composed of a chairman and not more than two other members, are the principal officers of the Social Security Department. Much of the responsibility in administering the cash benefits is delegated by the Commission to other officers of the Department.

The Health Department administers the health benefits while the Land and Income Tax Department collects the contributions to the Social Security Fund.

The Head Office of the Social Security Department maintains a national card index and record system which provides a close check on all applicants for benefit. Temporary benefits, such as unemployment and sickness, are paid by local offices. All other benefits including superannuation and age benefits, are paid from the Head Office.

The country has been divided into 19 districts with a branch office of the Social Security Department in the principal town in each district. Each office is administered by a Registrar of Social Security. The Commission has delegated to these Registrars powers for the granting and subsequent supervision of all types of benefit except the emergency, superannuation, and miners' benefits.

The Registrar issues a payment voucher as soon as he grants a benefit for unemployment and sickness. All other payment vouchers are produced at the Head Office. These vouchers are forwarded throughout New Zealand to the

¹ Payable without a means test are the superannuation benefits, family benefits (family allowances), miners' benefits, maternity benefits, hospital benefits, medical benefits, pharmaceutical benefits and supplementary (medical care) benefits. Payable under a means test are the age-benefits, sickness benefits, widows' benefits, orphans' benefits, invalids' benefits, and emergency benefits. Unemployment benefits are subject to means test at the discretion of the Commission.

paying offices which are the social security offices and money-order post offices. After the individual has received payment the receipted voucher is returned to the central office where it is checked off against the beneficiary's account.

In many of the districts there are local offices controlled by a district agent and supervised by the Registrar of that district. There are 28 district agents and their delegated power to grant benefits is restricted to unemployment and sickness benefits. They investigate claims for other benefits and submit them to the District Registrar for decision.

An applicant or beneficiary has the right to appeal to the Commission against any decision by a registrar affecting the granting, refusal, renewal or review of a benefit and the decision of the Commission is final.

APPENDICES

Appendix I

DEFINITION OF ALLOWABLE INCOME UNDER THE AGE-BENEFIT PROGRAM

Except for certain exclusions, the allowable income which is considered in determining eligibility for age-benefit includes all moneys and the value of all benefits derived or received by a person from any source for his own use.

However, neither cash benefits nor the value of any service received under the Social Security Act are counted as allowable income, nor is any money received as a funeral benefit from a friendly society.

Excluded also are capital funds received from the sale or exchange of property, from the estate of a deceased husband or wife, or from an insurance policy for property damaged by fire, as well as capital sums up to £500 received under life insurance policies on the life of the beneficiary. In addition, exclusions are made for capital funds received up to £500 under any legacy (other than from a deceased husband or wife), or as compensation for damages with respect to the death or bodily injury of any person, or under a policy of life insurance other than on the life of the beneficiary.

Appendix II

EFFECT OF ALLOWABLE INCOME AND PROPERTY QUALIFICATIONS ON THE AMOUNT OF AGE-BENEFIT OF SINGLE BENEFICIARIES

A—ALLOWABLE INCOME

Allowable income	Age-Benefit	Total income
£	£	£
Nil	130	130
20	130	150
40	130	170
60	130	190
78	130	208
80	128	208
100	108	208
120	88	208
140	68	208
160	48	208
180	28	208
200	8	208
208	Nil	208

B—PROPERTY

Property value	Amount of reduction in age-benefit
£	£
500 or less	Nil
520	2
600	10
800	30
1,000	50
1,200	70
1,400	90
1,600	110
1,800	130

NOTE: If a person had other income of £80 per year and property of £800, his age-benefit would amount to £128 (see A above) less £30 (see B above), or £98 per year.

Appendix III

EFFECT OF ALLOWABLE INCOME ON THE AMOUNT OF AGE-BENEFIT OF MARRIED COUPLES, ONE OR BOTH OF WHOM ARE BENEFICIARIES

Allowable income of couple	Married couple both eligible		Married couple—One spouse eligible				
			Husband eligible			Wife eligible	
	Age-benefit of couple	Total income of couple	Age-benefit of husband	Discretionary benefit in respect of wife	Total income of couple	Age-benefit of wife	Total income of couple
£	£	£	£	£	£	£	£
Nil	260	260	130	130	260	130	130
50	260	310	130	130	310	130	180
60	260	320	130	130	320	130	190
78	260	338	130	130	338	130	208
80	258	338	130	128	338	130	210
150	188	338	130	58	338	130	280
200	138	338	130	8	338	130	330
208	130	338	130	Nil	338	130	338
270	68	338	68	Nil	338	68	338
338	Nil	338	Nil	Nil	338	Nil	338

Appendix IV

EFFECT OF PROPERTY QUALIFICATIONS ON THE AMOUNT OF AGE-BENEFIT OF MARRIED COUPLES, ONE OR BOTH OF WHOM ARE BENEFICIARIES

Capital value of accumulated property of couple	Both spouses eligible	One spouse eligible
	Reduction in total age-benefits paid to couple ⁽¹⁾	Reduction in age-benefit payable to eligible spouse ⁽²⁾
£	£	£
1,000 or less	Nil	Nil
1,100	10	5
1,200	20	10
1,600	60	30
2,000	100	50
2,400	140	70
2,800	180	90
3,200	220	110
3,400	240	120
3,600	260	130

(¹) One half of the amounts shown apply to the benefit payable to each spouse.

(²) These reductions also apply to discretionary benefit where such is payable.

Appendix V

RESIDENCE REQUIREMENTS FOR AGE AND SUPERANNUATION BENEFITS

An applicant who was resident in New Zealand on 15th March, 1938, is required to have resided continuously in the Dominion for the ten years immediately preceding the date of application, subject to an aggregate allowance of one year for absence during that period and a further allowance of six months' absence for every year of residence in excess of ten years. Where the absence during the ten years immediately preceding the application date has exceeded one year, however, the applicant must not have been outside New Zealand at any time during the twelve months immediately preceding the date of his application. (For tabular presentation, see foot of page).

An applicant who was not resident in New Zealand on 15th March, 1938, is required to have resided continuously in the Dominion for the twenty years immediately preceding the date of application, subject to an aggregate allowance of two years for absence during that period and a further allowance of six months' absence for every year of residence in excess of twenty years. Where the absence during the twenty years immediately preceding the application date has exceeded two years, however, the applicant must not have been outside New Zealand at any time during the twelve months immediately preceding the date of his application. (For tabular presentation, see next page).

In the case of a seaman, any absence from the Dominion while serving on any New Zealand owned or registered ship engaged in trading to and from New Zealand is not counted as a period of absence if the seaman's home or family was in New Zealand while he was so engaged.

If a beneficiary leaves the country and returns to it any time within five years he is not required to comply with the residential qualifications on subsequent application for a benefit of the same type as that previously received.

The scale of absences allowed when the applicant is required to have resided in New Zealand for ten years immediately preceding application is as follows:

Period since arrival in New Zealand	Absence Allowed	Period since arrival in New Zealand	Absence Allowed
10 years	1 year	24 years	8 years
11 "	1½ years	26 "	9 "
12 "	2 "	28 "	10 "
13 "	2½ "	30 "	11 "
14 "	3 "	35 "	13½ "
15 "	3½ "	40 "	16 "
16 "	4 "	45 "	18½ "
18 "	5 "	50 "	21 "
20 "	6 "	55 "	23½ "
22 "	7 "	60 "	26 "

The scale of absences allowed when the applicant is required to have resided in New Zealand for twenty years immediately preceding application is as follows:

Period since arrival in New Zealand	Absence Allowed	Period since arrival in New Zealand	Absence Allowed
20 years	2 years	34 years	9 years
21 "	2½ "	36 "	10 "
22 "	3 "	38 "	11 "
23 "	3½ "	40 "	12 "
24 "	4 "	42 "	13 "
25 "	4½ "	44 "	14 "
26 "	5 "	46 "	15 "
28 "	6 "	50 "	17 "
30 "	7 "	55 "	19½ "
32 "	8 "	60 "	22 "

Appendix VI

RATES OF UNIVERSAL SUPERANNUATION PAYMENTS

Fiscal year commencing April 1	Rate per annum	Fiscal year commencing April 1	Rate per annum
	£		£
1940.....	10/-	1965.....	72/10/-
1941.....	12/10/-	1966.....	75/-
1942.....	15/-	1967.....	77/10/-
1943.....	17/10/-	1968.....	80/-
1944.....	20/-	1969.....	82/10/-
1945.....	22/10/-	1970.....	85/-
1946.....	25/-	1971.....	87/10/-
1947.....	27/10/-	1972.....	90/-
1948.....	30/-	1973.....	92/10/-
1949.....	32/10/-	1974.....	95/-
1950.....	35/-	1975.....	97/10/-
1951.....	37/10/-	1976.....	100/-
1952.....	40/-	1977.....	102/10/-
1953.....	42/10/-	1978.....	105/-
1954.....	45/-	1979.....	107/10/-
1955.....	47/10/-	1980.....	110/-
1956.....	50/-	1981.....	112/10/-
1957.....	52/10/-	1982.....	115/-
1958.....	55/-	1983.....	117/10/-
1959.....	57/10/-	1984.....	120/-
1960.....	60/-	1985.....	122/10/-
1961.....	62/10/-	1986.....	125/-
1962.....	65/-	1987.....	127/10/-
1963.....	67/10/-	1988.....	130/-
1964.....	70/-		

Appendix VII

SOCIAL SECURITY FUND OPERATIONS, NEW ZEALAND

1948-49, 1949-50

Item	Year ended 31st March, 1949	Estimated for year ended 31st March, 1950
	£	£
RECEIPTS—		
1. Social security charge.....	29,378,385	31,600,000
2. Miscellaneous receipts.....	53,651	36,000
3. Balance from previous year.....	7,241,918	8,681,917
4. Transfer from Consolidated Fund.....	15,000,000	12,000,000
Total.....	51,678,954	52,317,917
EXPENDITURES—		
1. Monetary benefits:		
Age.....	13,790,971	15,350,000
Universal superannuation.....	1,850,079	2,195,500
Widows.....	1,847,030	2,125,000
Orphans.....	27,623	27,500
Family.....	14,242,203	14,796,000
Invalids.....	1,348,616	1,426,500
Miners.....	113,659	123,500
Maori War.....	10	.....
Unemployment.....	8,948	10,750
Sickness.....	911,107	1,000,000
Maintenance moneys.....	580	.....
2. Emergency benefits.....	251,409	312,000
3. Hospital benefits, etc.		
Maternity benefits.....	916,120	915,000
Hospital benefits.....	1,997,375	2,020,000
Medical benefits.....	2,306,881	2,305,000
Pharmaceutical benefits.....	1,793,159	1,819,000
Supplementary benefits.....	861,913	1,000,000
4. Administration expenses.....	729,259	729,920
5. Unauthorized expenditure:		
Services not provided for.....	95	.....
Sub total, items 1 to 5.....	42,997,037	46,218,670
6. Balance.....	8,681,917	6,099,247
Total.....	51,678,954	52,317,917

Source: *Budget, 1949*, Minister of Finance, New Zealand, August 18, 1949.

Appendix VIII

REVENUES OF NEW ZEALAND GOVERNMENT

1948-49, 1949-50

Item	Year ended March 31, 1949		Year ended March 31, 1950 (estimate)	
	Amount	Per Cent	Amount	Per Cent
	£000		£000	
1. TAXATION—				
Income-tax.....	49,008	31.6	49,000	32.0
Land-tax.....	916	0.6	900	0.6
Social Security Charge.....	29,378	19.0	31,600	20.7
Customs Duties.....	19,111	12.3	19,250	12.6
Beer Duty.....	4,555	2.9	4,525	3.0
Sales tax.....	14,105	9.1	13,750	9.0
Highway tax.....	3,614	2.3	3,880	2.5
Stamp duties.....	9,624	6.2	9,616	6.3
Other.....	128	0.1	190	0.1
Total.....	130,439	84.1	132,711	86.8
2. INTEREST RECEIPTS.....	5,216	3.4	5,712	3.7
3. SURPLUS ASSETS AND BUSINESS UNDERTAKINGS.....	1,536	1.0	2,175	1.4
4. OTHER RECEIPTS.....	17,759	11.5	12,399	8.1
5. TOTAL.....	154,950	100.0	152,997	100.0

Source: *Budget, 1949*, Minister of Finance, New Zealand, August 18, 1949.

Appendix IX

ANALYSIS OF SOCIAL SECURITY CONTRIBUTION IN NEW ZEALAND

1940-41 TO 1945-46

Item	1940-41	1941-42	1942-43	1943-44	1944-45	1945-46
	£					
1. Charge on salaries and wages.....	6,174,092	6,488,691	7,548,391	8,490,200	8,785,454	9,161,218
2. Charge on company income.....	1,107,338	1,282,500	1,403,475	1,432,484	2,005,091	1,948,684
3. Charge on other income.....	2,828,147	2,661,123	2,672,180	2,873,424	2,873,313	3,447,558
Total Charge.....	10,109,577	10,432,314	11,624,046	12,796,108	13,663,858	14,557,460
	Per Cent					
1. Charge on salaries and wages.....	61.1	62.2	64.9	66.3	64.3	62.9
2. Charge on company income.....	10.9	12.3	12.1	11.2	14.7	13.4
3. Charge on other income.....	28.0	25.5	23.0	22.5	21.0	23.7
Total Charge.....	100.0	100.0	100.0	100.0	100.0	100.0

Source: *New Zealand Year Book*, 1944 and 1946.

Appendix X

PRIVATE INCOME, EXCLUDING SOCIAL SECURITY BENEFITS AND PENSIONS
AND RENTAL VALUE OF OWNED HOMES, IN NEW ZEALAND
1940-41 TO 1948-49

Item	1940-41	1941-42	1942-43	1943-44	1944-45	1945-46	1946-47	1947-48	1948-49
	£ in millions								
1. <i>Salaries, Wages</i> (including armed forces pay)	134.6	147.7	174.7	199.4	196.1	202.4	195.2	217.0	230.0
2. <i>Company Income</i> (before distribution)	24.0	28.0	33.2	36.7	38.2	42.0	48.3	53.7	50.0
3. <i>Other Personal Income</i> (1) (excluding company dividends)	59.0	63.0	67.7	72.9	80.3	90.0	107.7	127.9	132.5
	217.6	238.7	275.6	309.0	314.6	334.4	351.2	398.6	412.5
	Per Cent								
1. <i>Salaries, Wages</i> (including armed forces pay)	61.9	61.9	63.4	64.5	62.3	60.5	55.6	54.4	55.8
2. <i>Company Income</i> (before distribution)	11.0	11.7	12.0	11.9	12.2	12.6	13.7	13.5	12.1
3. <i>Other Personal Income</i> (1) (excluding company dividends)	27.0	26.4	24.6	23.6	25.5	26.9	30.7	32.1	32.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: *Monthly Abstract of Statistics*, June-July 1949, New Zealand, p. 49.

(1) Other Personal Income includes, in order of their importance for the fiscal year 1948-49, income from farming, from trade and commerce, from interest and rent, from professional occupations, from changes in balances of primary produce stabilization accounts, and from other sources.

SOURCES

Social Security Act, 1938 and amendments in force on December 31, 1948.

Social Security (Monetary Benefits) and War Pensions Social Security Department, Wellington, N.Z. 1949 Edition as amended to January 1, 1950.

Systems of Social Security, New Zealand, International Labour Office, Geneva, 1949.

Budget, 1949. Minister of Finance, New Zealand, August 18, 1949.

Monthly Abstract of Statistics, New Zealand. March 1948, June-July 1949.

New Zealand Year Book, Wellington, N.Z., 1944 and 1946.

Cash Benefits Under The New Zealand Social Security System. Federal Security Agency, Washington, 1945.

Meriam, Lewis. *Relief and Social Security*. Brookings Institution, Washington, 1946. Chapter XVI

Lipson, L. "The New Zealand Means Test". *Public Administration*, London. Winter Number 1944/45.

(End of written statement.)

The WITNESS: Mr. Chairman, I do think that both with respect to Australia and New Zealand a study of their plans of financing old age security and over-all social security is important to us and is significant because there are introduced into the programs of both of these countries certain concepts which at least so far as I am aware have not to date been considered in North America either in the United States or in Canada.

We in this country both on the provincial and federal level, and I think this applies equally to the United States, are usually accustomed to thinking of approaches to social security on two separate lines.

One, we have our so-called means test approach; on a means test approach, if we embark on a means test program, and this applies provincially as well as federally, we are accustomed to think that the benefits should be paid out of the consolidated revenues of the country without any special contribution being required. Generally speaking no absolute rights to benefit are established and the administration of the program is on a somewhat discretionary basis and subject to the means test. In other words, the assumption is that if you have a means test program that you are going to put into effect—whether it be poor relief, unemployment relief, mothers' allowances, pensions for the blind, war veterans' allowances, old age pensions or what not—the pattern in this country and in the states has been to finance that out of the general revenues of the country, namely the consolidated revenue fund.

Now, that is one approach that we have accepted. The other approach that we have accepted is what we have termed the contributory approach. If we embark upon a system of social security which involves contributions, such as, for example, unemployment insurance or workmen's compensation, to mention just two examples, then our thinking to date in this country and in the states has suggested that any contributory system involves at the other end the receipt of benefits as a contractual right; and the benefits under any contributory system of which I am aware on the North American continent are paid as a matter of right, subject, of course, to certain prescribed qualifying conditions, but under no circumstances, in any situation that I can think of at the moment, subject to a means test.

So we have these two approaches; one is a means test program financed out of the consolidated revenue and the other is a contributory program with a specific contributory tax of some kind or other; and in that kind of program the benefits are invariably paid without reference to any means test whatsoever.

Now, in contrast to this the Australian system we were studying this morning and the New Zealand system which we will study this afternoon have adopted a midway course. They have embarked upon an over-all social security program under which they have lumped quite a wide variety of programs, and that total program is financed on a contributory basis. We can follow them up to that point; but the new and different feature in it is this, that with respect to the benefits that flow from these contributory schemes they are to a substantial degree subject to a means test.

New Zealand and Australia have in effect applied that principle to all their programs. They have taken all their programs that are subject to the means test, and they have relieved their consolidated revenue funds largely or wholly of the cost of the services that we up to date in Canada have been carrying out of our consolidated revenue funds either of the provincial or of the federal governments. What corresponds in New Zealand and Australia to the provincial mothers' allowance program, on a means test basis; unemployment relief and the relief of unemployables; what corresponds in this country to old age pensions, blind pensions and family allowances—the cost of all of these programs, or the counterparts of them in Australia and New Zealand, are shifted over to a basis of support that is not the consolidated revenue fund but rather a special fund that is built up out of specific social security contributions earmarked especially for the purpose of providing these benefit payments.

I think I am right in suggesting to members that there is no counterpart on this continent of that combined approach,—a contributory fund on the one hand and benefits some of which are paid without means test and others which are paid with a means test on the other. It is for that reason in particular that I think with great respect, there is some value, in studying the situation in these two countries where these quite different approaches to social security so far as we are concerned are in effect.

Now, Australia, as we heard this morning, has a fund from which these benefits are provided, some of them subject to the means test, others not. That fund stands on its own feet, being made up of the revenues drawn from the special social services contribution and the special payroll tax. There is no contribution whatsoever from the consolidated revenue fund in respect to Australia. New Zealand on the other hand as you will see this afternoon, and as Mr. Willard mentioned this morning, has been paying considerable subsidies into its fund out of consolidated revenue. However, the subsidy from the New Zealand consolidated revenue fund is equal only to the amount that is spent annually on one single program, that for the family allowance program or the old age pensions program in that country. It will be evident therefore that the financing of these programs is not on a comparable basis with what we have in Canada.

It may be somewhat difficult for members to visualize the relationship because in Canada so much of the cost of our social security program comes out of the consolidated revenue fund. You could get the comparison most clearly by visualizing a situation in Canada where we would establish a social security fund for all social security measures, means test or other. We would then put into that fund from the consolidated revenue an amount equal to that which we are currently spending in respect to family allowances, our most expensive item at the present time. Then, for the rest of the services, means test and non-means test, provincial and federal, we would impose a social security tax. How much would be required in Canada, it would be difficult to say; but one should keep in mind the figure that is in effect in New Zealand, 7.5 per cent of all salaries, wages and other income, including net corporation income. The revenues from that kind of a special contribution would be used to finance under this hypothetical assumption, all of the many and varied programs, means tests and

otherwise that we have now in Canada and other ones that we would add to complete the picture on the basis that it is completed in New Zealand and Australia.

The point to keep in mind, however, it seems to me, is that in both Australia and New Zealand, they have shifted this burden across from the consolidated revenue fund to a special contributory tax. The tax in Australia differs in some details from that in New Zealand but nonetheless it remains a contributory tax. That having been done—that type of financing having been followed in both countries, to a lesser extent perhaps in New Zealand than in Australia—we then find that benefits based on these contributions are not, in all cases paid free of the means test, as we would have expected under the concept that we have hitherto had of a contributory system. Australia and New Zealand do not pay benefits out of that fund entirely, exclusively and in all circumstances without a means test; in fact, most of the payments in Australia, and approximately half of the payments that come out of this contributory fund in New Zealand are subject to some form of means testing even though the fund has been built up wholly or largely from the special contributions exacted for the purposes of social security.

Australia, for example, as Mr. Knowles mentioned this morning, provides what he described as a 14 point policy of protection. Out of these 14 different varieties of social security that are listed in the table in the Australian document no less than 12 out of the 14 are subject to a means test in some form or other,—and that despite the fact that the fund itself is completely and exclusively made up from special contributions and not financed to any extent at all from the consolidated revenue fund. Only two of these 14 types of benefits, maternity allowance and child endowment or family allowance, are free of the means test.

MR. BENIDICKSON: Could you, Dr. Davidson, point out which of those 14 programs are similar to programs operated in Canada either federally or provincially.

THE WITNESS: I think the best answer I could give you, Mr. Benidickson, would be to refer you to the table which is shown on page 29 of the mimeographed report on Australia.

MR. BENIDICKSON: I am quite familiar with it but I thought it might be desirable to refer to it at this time and to indicate of the 14 benefits shown there how many are subject to a means test and how many are free from it, and how many of them correspond to ours.

THE WITNESS: If you look at page 29 of the Australian document, age and invalid pensions are of course provided in Canada; widows' pensions correspond to some extent to provincial mothers' allowances; child endowment represents our family allowances program. As for the next one listed, unemployment and sickness benefits—taking unemployment benefits as distinguished from sickness benefits which are not provided in Canada—under our program of unemployment insurance and unemployment relief one gets some basis for comparison. As to the other items listed, take the one respecting funeral benefits for aged and invalid pensioners, we have no provision of that kind in Canada. Then when you come to maternity allowances, which are cash grants to assist in hospital and other expenses at the time of confinement there is really no counterpart of that in so far as Canada is concerned, although Alberta provides free maternity hospitalization and British Columbia and Saskatchewan included maternity hospitalization expenses under their hospital insurance programs.

MR. FERRIE: There is a cash grant paid under that heading in Saskatchewan.

THE WITNESS: I wasn't aware of that. Then, as to sickness benefits and community rehabilitation; I do not know of any specific counterpart of those in Canada; as to hospital benefits, in two of the provinces we have provincial

hospital insurance plans—or perhaps in three of the provinces if one takes into account the fact that Newfoundland has a program which comes very close to approaching a hospital insurance program. Pharmaceutical benefits—there is no specific counterpart of that; tuberculosis benefits and mental institution benefits—it is difficult to say there because while we have almost completely free hospitals for all in connection with tuberculosis and to a large extent in the field of mental care they do not correspond exactly. I think that is about as far as I can go, Mr. Benidickson, in indicating which of these programs exist in Canada and which do not.

Mr. KNOWLES: With respect to the widows' pensions that are referred to in the table on page 29 of the Australian report, I do not quite understand what you said. Are these widows' pensions in Australia only paid to widows who have children corresponding to our mothers' allowance program in this country?

The WITNESS: No, no.

Mr. KNOWLES: Or are they open to all widows?

The WITNESS: Generally to a larger category of widows than we have under mothers' allowances in this country. What I said was that the nearest counterpart we have in Canada is the mothers' allowance program.

Mr. KNOWLES: But qualification there is not having children but the means test.

The WITNESS: The means test, and certain other qualifications. The point that I was on was that 12 out of these 14 types of benefits in Australia are subject to the means test; and in terms of volume of expenditure, the same table I have just been reading from on page 29 shows that £34,000,000 out of a total of some £100,000,000 or more in 1949-50 were paid without the means test, whereas £66,000,000 worth of benefits were paid subject to the means test; so that you can see that the Australian social security system on the one hand is one hundred per cent contributory and does not depend on the consolidated revenue fund in any way, while on the other hand it is 66 per cent subject to the means test and 34 per cent free of the means test in so far as volume is concerned, while in terms of types of benefits it is 12/14 subject to the means test and 2/14 free of the means test. And I think it might be well for us also to get that general picture in New Zealand before we approach the specific problem of the old age pension.

With your permission, therefore, I will give you something more of the general picture of the New Zealand situation. In the case of New Zealand the difference is one essentially of degree as compared with Australia. First of all I said that the social security fund, in New Zealand, is not as in Australia solely supported by contributions derived from special social security taxes. The social security tax in New Zealand, which we will discuss at greater length later on, at the present time produces revenues amounting approximately to 70 per cent of the benefits that are paid out in any one year. Members of the committee will get that figure from looking at the table on page 37 of the New Zealand Report where it is shown that for the two years ending March 31, 1949 and March 31, 1950 the revenue from social security tax alone was approximately £61,000,000 in the two years, and the total of expenditures on all social security programs amounted to something like £89,000,000 in the two years; so that the social security tax in New Zealand on the basis of those two years produced approximately 70 per cent of the amount of benefits paid out. To that extent and only to that extent can it be said that the New Zealand scheme is 70 per cent a contributory scheme in the direct sense of that word.

Turning to the benefit situation now, out of the fifteen types of benefits in New Zealand there are fifteen benefits payable and seven of those benefits are payable on a means test basis. But it is interesting to note that of the total fifteen benefits, four are health services—hospital benefits, pharmaceutical benefits and

special benefits relating to the field of health insurance—which it would be at least difficult to put on a cash benefit basis; therefore, if we break down the fifteen types of benefits paid we find that eleven cash benefits are paid and four service benefits, and of the eleven cash benefits four are payable without the means test and seven are payable subject to the means test.

Now, so far as volume of expenditure is concerned that depends of course on whether or not you include in the total both cash benefits and health benefits or whether you consider just the cash benefits alone. Perhaps it might be better for me to give the committee both sets of figures.

I am quoting now from a book entitled "The Growth and Development of Social Security in New Zealand" which came to my hands through the kindness of the high commissioner's office only last week. Its publication date is 1950, and it gives the complete story of social security in New Zealand up to and including the year 1949; and if members are interested in getting a lot of details which I do not think could possibly be obtained otherwise, I recommend this book to them, without, of course, any hope of getting any commission on any sales that might result from my recommendation.

As to the volume of benefits paid in New Zealand—and for the moment I include both cash and health benefits—56·9 per cent of the total expenditures from the social security fund are paid free of means test and 43·1 per cent of the total expenditures are provided subject to the means test. On the other hand, if you include the cash benefits only and exclude the health benefits, you get a figure of 53 per cent of the total cash benefits being paid subject to the means test and 47 per cent of the cash benefits paid being paid without a means test.

In summary, this is a system which is 70 per cent contributory in the direct sense but it is, however, 43·1 per cent subject to a means test, or 53 per cent subject to a means test if you include all the benefits that are paid out, and that larger share depends on whether you include or exclude the health service benefits in the over-all total. I leave now the over-all general appraisal of the New Zealand and Australian approach, which I think is quite different from what we have had in this country or in the United States up to the present time. Coming down from there to the question of old age security itself, we find that in New Zealand they pay out of this social security fund that is built up largely out of contributions age benefits both on a means test basis and on a non-means test basis.

According to the figures shown in this New Zealand booklet, the total expenditures under the means test program for the aged in New Zealand—that is what they call the age benefits for the fiscal year 1948-49 were £13,790,971; whereas the total expenditure under the non means test program for the aged—that they call the superannuation benefit—amounted to £1,850,079.

In other words, according to these figures which are taken from the booklet which I have mentioned, the ratio of means test benefits to non means test benefits for the aged in New Zealand is a ratio of 7 to 1; that is, $\frac{7}{8}$ of the total benefits currently being paid to the aged in New Zealand are being paid under a means test age benefit program, while $\frac{1}{8}$ of the total benefits paid to the aged are payable under the non means test superannuation program.

That is the picture as it is given in this booklet. But I think it would only be fair to add that in my view at least it does not give a picture which is completely fair to New Zealand in terms of the true relationship that exists between the means test program and the non means test program.

Let me explain what I mean by that. At the present time the non means test superannuation benefit is a relatively low benefit as I think the members of the committee will see when they come to examine it. If a person can get by with that small benefit, if he has funds of his own, he draws that benefit at the

age of 65 and he does not bother to apply for the means test pension. And in that case the superannuation benefit which he draws is chargeable to the superannuation item in the fund.

On the other hand, if you have a man for whom these small superannuation benefits are not sufficient, and who requires supplementary assistance over and above that, instead of letting him draw his superannuation benefit, free of means test and supplementing that by a partial pension from the age benefit program, he is completely switched over in New Zealand. His entire benefit is paid out of the age benefit section of the fund; and that is counted as though it were a completely means test pension.

In one sense of the word it is a completely means tested pension; but in another sense of the word it might be fair to say that a true picture of the extent of the volume of the means test or otherwise could better be obtained if New Zealand were to pay everyone over 65 the superannuation allowance free of the means test, and charge that entire cost to the superannuation item in the fund; and then charge, as a means test payment to the fund only the supplementary amount, over and above the basic amount of superannuation, to which any individual over 65 is entitled under the means test.

We have tried to extract a calculation which I offer to the committee with some diffidence. But according to our best estimates, if that were done, the volume of expenditure under the means test age benefit program in New Zealand would still be $2\frac{1}{4}$ times as much as the total volume of expenditure under the superannuation program, which is completely free of means test.

The CHAIRMAN: That is today?

The WITNESS: That is today as the chairman said. We will come, in our consideration of the document to which I now turn, to a feature of the New Zealand program which indicates the extent to which, over a period of years, the universal superannuation program is expected to curtail or to replace or make unnecessary the means test program which they still mainly rely upon today.

Mr. KNOWLES: Could you put on the record those tentative figures you arrived at that would be a correction of the £13,790,971 and £1,850,079 figures?

The CHAIRMAN: In pounds?

Mr. KNOWLES: Yes, which you gave before, which breaks it down to a ratio of 1 to $2\frac{1}{4}$.

The WITNESS: That is to be found on page 15 of the document, Mr. Knowles. You will see there the statement at the bottom of the second paragraph which reads as follows:

However, even on this basis, the means test age-benefit expenditure (£12.2 million) would be about $2\frac{1}{4}$ times as large as that for the non-means test superannuation benefit (£5.4 million).

The CHAIRMAN: Might I suggest to the committee that we proceed now to general questions; and if after a certain set of questions we have to go too deeply into one aspect, and having regard to the fact that we are going to study this aspect later when we go into a more detailed examination of the statement, I wonder if Dr. Davidson would mention it so that we might stick to general questions for the moment. Would that be agreeable to the committee? I make this suggestion so that we may keep some kind of order. Would that be correct?

The WITNESS: I would suggest, if I may, that if the members have any questions they would like to clear up on the more general aspects of the principles which I have outlined in respect to the over-all benefits and of the social security payments I have mentioned, that this would be the time to offer them. But if it

were desired to ask questions with respect to specific matters in relation to the old age programs it would be merely anticipating points we would be coming to in the discussion and points which still remain to be dealt with.

Mr. KNOWLES: That would apply to questions respecting the financing of the scheme as well.

The CHAIRMAN: We are coming to that later.

Mr. MACINNIS: I was going to suggest that I think the committee could leave to Dr. Davidson the order and arrangement in which he can best make his presentation.

The CHAIRMAN: I believe that is a good idea.

Mr. MACINNIS: I have a question which Dr. Davidson need not answer at the moment; but in these calculations as to the amount paid under the means test and under the non-means test, are you keeping always in mind the difference of age, as to the time the means test pension or benefit is paid, and the 60 years in one case and 65 years in the other?

The WITNESS: We kept that in mind, I can assure you, in terms of making the calculations. I think you will appreciate that in terms of bringing down the total expenditure as between the means test and the non-means test programs, the question of specific points of eligibility such as age, residence, or other features of that kind do not enter into the picture. But as we come to a description of the program itself, we will bring out the fundamental points of eligibility, such as age and the other points, wherein there are in some cases substantial and in other cases rather minor differences from the Canadian program.

Mr. BENIDICKSON: With respect to the figures, it seems to me that as to the information which Mr. Knowles asked for this morning, I do not recall Mr. Willard stating when it would be available. That would be a comparison of the taxes paid in those countries based on similar incomes in Canada.

Mr. KNOWLES: That is what I meant a moment ago when I said that I would reserve that question until a little later. I had the same question to ask about Australia.

The CHAIRMAN: Mr. Willard says that he will file with the committee the information asked for by Mr. Knowles this morning, and he adds that he will supply it not only for Australia but for New Zealand as well.

Mr. BENIDICKSON: But my question was "when"?

The CHAIRMAN: He is noncommittal but he says he will do it as soon as possible.

Mr. BENIDICKSON: If we indulge in too much discussion on broad observations, Dr. Davidson, about these programs being distinctive in that they are contributory, I was wondering if we could leave that until we had a pretty good idea of what the actual tax levied is under the one system or the other, in the three countries?

Mr. KNOWLES: There is one question I would like to put to Dr. Davidson in regard to his general comments: is it not rather difficult to say which category unemployed insurance benefits are in as between the means test and the non-means test?

The WITNESS: Do you mean Canadian unemployment insurance benefits?

By Mr. Knowles:

Q. Yes. I take it that in these calculations as to the percentage of benefits that are means test and non-means test in Australia and New Zealand, you regarded unemployment cash benefits as being in the means test sector?—A. The unemployed benefit is in the means test sector, yes.

Q. And when you spoke about our system in Canada, I think you stated that unemployment insurance is an example of benefits which are a matter of contractual right.—A. Subject to certain qualifying conditions, I said, but not in any way subject to any form of means test.

The CHAIRMAN: That is right.

Mr. KNOWLES: With one sole qualification that you cannot make more than \$2 per day and still draw your unemployment insurance.

The CHAIRMAN: If you want to draw unemployment insurance you must be out of work in order to do so. That is the qualification.

Mr. KNOWLES: I am also coming at the other point of this. I think what the doctor means is that there are other qualifying conditions, for example unemployment, which would put it in a little different category from the kind of funds into which people contribute with the certainty that they will get something back out of it. Actually you do not want it if you are contributing to unemployment insurance.

The WITNESS: I think your point is arguable. I would be inclined to say as to the point you make regarding ineligibility to draw unemployment insurance benefit if a person is working and earning as much as \$2 a day, that is in effect a test of employment not of means. I would contrast that case with a person who was clipping coupons during the period of his unemployment or who had other income. He would be eligible in that period for unemployment insurance benefits under our Canadian Act; and while there is something in what you say, I think that the provisions which you refer to in our unemployment insurance Act are essentially employment tests rather than a means test. But that, of course, is arguable.

By Mr. Knowles:

Q. Without taking up the challenge, may I ask you this question: Is there in New Zealand or Australia in addition to the test of unemployment a means test as well?—A. Yes. There is an income test in Australia as Mr. Willard mentioned this morning; and in New Zealand there is a provision that the Commission in its discretion may decide not to pay unemployment benefits if it does not consider the unemployment benefit is necessary on account of the applicant's resources.

I am looking for a footnote in which that is set out in the document as we go along and I speak subject to correction; but unless Mr. Willard tells me that I am wrong, I shall let the statement stand.

Oh yes, it is at the bottom of page 2, and the footnote reads:

The Act does not set out any income and property qualification for the unemployment benefit, although the Social Security Commission may, in its discretion, consider such qualifications and reduce the benefit.

I would have to get the Act itself before I could say whether that is the exact wording of the Act. But I think that is a correct statement, that the Commission has the discretion to withhold the benefit or to reduce the benefit if it considers that the payment of the unemployment benefit is not necessary due to the financial position of the applicant.

Q. You do not know whether they exercise that discretion in favour of the unemployed person in the same way that they exercise any discretion? But I suppose that will come up later?—A. I would be glad to dig that out and provide an answer for it at a later date, if I can get an answer.

The CHAIRMAN: Are there any questions on general principles?

The WITNESS: Now if we can turn to the general outline of the Old Age Security program in New Zealand itself, I propose, with your permission, Mr.

Chairman, not to follow this text in too much detail but rather to draw out of the various sections of the program the principles which I think are important for the committee to have before it.

By the Chairman:

Q. When you reach a point where you think some questions would be permissible, you will say so, Dr. Davidson?—A. Yes, sir. I do not want to be too historical about this, but I think it is significant in studying the New Zealand program to say that we are studying the second oldest Old Age Security program in the world. The Old Age Security Act in New Zealand dates from November 1898 and it is surpassed in age only by the Old Age Pensions program of Denmark, as to which I think we may be able to circulate a document to the committee at a later date, although the committee may not find it possible to consider the details of it owing to the limits of time.

This New Zealand Old Age Pension Act of 1898 is comparable in its long history with the Old Age Pensions Act in Canada of 1927 which, of course, has been in existence for a much smaller number of years. The Act of 1898 survives to this day in the form of the aged benefits which are the means test part of the total New Zealand Old Age Security program.

This program today, after many changes, provides means test pensions to persons in New Zealand of 60 years of age and over. In respect to that one point of age more than any other I think it is fair to say that there is a marked difference between the New Zealand scheme and the Canadian scheme.

The other points of difference are such things as residence and property and other qualifications and as we come to them; but these are differences in points of detail and differences in approach. The differences in these other areas are not, I think, such as to alter fundamentally the effectiveness of the Old Age Security program in New Zealand as compared to the same program in Canada.

By Mr. Croll:

Q. When did it become 60?—A. I can check that for you in just a minute, if the committee will give me a moment.

By Mr. MacInnis:

Q. In 1938, I think.—A. Yes. The original Act of 1898 provided for a means test benefit at 65 years of age, but this was later changed, and...

Q. If you look at the second paragraph on page 6, you will see it.—A. Yes, that is right. At the time the Social Security Act was passed in 1938 providing universal superannuation benefits for those of 65 years of age and over, the age of eligibility was lowered to 60 for men and women in the case of the means test program. The age for women had been set at 60 as long ago as 1913.

Now, so far as the amount of pension is concerned, the maximum amount payable under the means test program has, of course, undergone many changes in the course of the years from 1898 down to the present time. I do not propose to ask the committee to go with me through all those changes. I think it would be sufficient to give a picture as to what the situation is at the present time and let it go at that with any questions which the committee may wish to ask.

By Mr. Knowles:

Q. New Zealand did not try the system which Australia had for a few years of adjusting it up and down according to the cost of living index?—A. No, not at any time. I think perhaps it might be pointed out that although these pension payments were usually progressively increasing payments, during the depression years in 1932 it was found necessary to reduce these means test old age pensions by 10 per cent.

That 10 per cent reduction remained in effect until 1934 when 5 per cent of it was restored, while later on in 1935 the full 10 per cent reduction was restored. That was done during the depression years at a time when salaries, wages, and similar payments were reduced and I think that is not without significance in terms of the question asked of Mr. Willard this morning, as to what the reasons were for the reduction in Australia.

I think it might very well be that the reason for the reduction in each instance was due much more to the economic difficulties which the country found itself in rather than to any scientific attempt to correlate the value of the age benefits to the cost of living at any given time.

The maximum benefit payable in New Zealand at the present time under the means test program is £130 in New Zealand pounds. And it is interesting to note that that £130 maximum pension is the same maximum pension which is eventually in 1988 payable under the New Zealand superannuation scheme. The means test program operates alongside the superannuation scheme. It is to be noted that each time they raised the maximum pension payable under the means test program, they also found it necessary at the same time to raise the maximum superannuation benefit, eventually payable in 1988 under the superannuation scheme.

In 1938 the two of them started out at £104 per year. And a few years later, during the war years, they raised that £104 per annum in the case of the means test pension to £117 per annum, and at the same time they found it necessary to raise the superannuation pension eventually payable in 1988 to the same amount; and finally, last year, in 1949, the means test pension there was increased to its present figure of £130 per annum, and again in the case of the superannuation payments, that ultimately has to be paid, it was adjusted that it amounts to the same figure, unless it reaches its ultimate maximum 38 years from now.

Mr. BROOKES: They have had these two things running side by side?

The WITNESS: Yes. We come to that as soon as we get to the second part of the program. Now, Mr. Chairman, if I can help it I am not going to get into the same difficulties as the committee got into this morning in trying to convert values of these New Zealand benefit payments into Canadian terms.

Mr. BROOKES: In that connection might I ask with respect to that £130, and the Canadian dollar equivalent expressed there in brackets, was not that at the time when the New Zealand pound was at a par with the Canadian dollar?

The WITNESS: I am not certain as to the date of the latest change but I think it was before the latest devaluation. That is why we would like to make it clear so far as this document is concerned, that we put the dollar equivalent in brackets opposite each item only as a convenience to members; we did that because we thought that if we did not provide it some member of the committee would ask for that information. Consequently we thought it better to put in the dollar equivalent when we prepared the document, and it is for that purpose only that we provided it.

Mr. FERRIE: Is there anyone in Canada of whom you know receiving a New Zealand old age pension?

The WITNESS: No sir; so far as I know they are not payable to anyone coming to Canada from New Zealand. There are some reciprocal arrangements between Australia and New Zealand, and between Australia, New Zealand and other countries of the commonwealth which do permit of reciprocity in benefit payments, but Canada to date has not any reciprocal arrangement.

Well then, Mr. Chairman, I might go on and point out that the maximum old age pension, or age benefit, subject to the means test, payable in New Zealand at the present time is this figure of £130 New Zealand per annum.

Mr. KNOWLES: Has Dr. Davidson available the figure with respect to the application of this 7·5 per cent tax and income tax with respect to incomes in New Zealand? And, could he give us similar information for New Zealand to that I requested with respect to Australia this morning, so that we can have the complete taxation figure before us?

The WITNESS: We can get that for you, Mr. Knowles.

Now, alongside of this means test program is the universal superannuation program, which is paid without a means test and paid five years later at the age of sixty-five. The act provides that that is payable to anyone when he is sixty-five years of age and has certain residential qualifications in New Zealand, and that is payable without any means test whatsoever.

Mr. CROLL: Would you mind elaborating just a moment on the resident qualifications, tell us exactly what that means?

The WITNESS: There is an appendix relating to that, but roughly, it is anyone who has been in New Zealand ten years continuously and who was in New Zealand on March 15, 1938. For those who were not residents of New Zealand on the date mentioned, the qualifying period is roughly twenty years.

Mr. CROLL: And who has contributed to that fund over a period of ten years?

The WITNESS: It is assumed that he has contributed.

The CHAIRMAN: We are coming to that.

Mr. RICHARD: Does that mean that he could change from that category to old age pension?

The WITNESS: If he is satisfied to accept the smaller benefit payable—but let us go on and I think you will see the answer to your question when you come to it.

Mr. BROWN: What about this good character requirement for the age-benefit, who determines that, what are the qualifications?

The CHAIRMAN: Mr. Brown, I would suggest that members of the committee keep their questions and note them for the moment so that Dr. Davidson can go on with the general relationships between the two systems, and then you can ask your question. Would that suit the committee?

Some Hon. MEMBERS: Agreed.

The WITNESS: There is a section on that. But if the members have it clear in their minds that we have on the one hand a means test program and that the maximum pension is £130, subject to the means test, then I would like to pass on to a study of the other program, the other benefits. Beginning in 1940, as a result of the Social Security Act of 1938, the New Zealand government began to pay to anyone sixty-five years of age and over with the necessary residence qualifications that have been mentioned the non-means-test superannuation pension amounting to £10 a year. Now, the smallness of that figure is a point which probably will attract attention immediately. The New Zealand government in effect said "We cannot at this stage pay the full means-test-free pension to everyone above the age of sixty-five; we hope to do that eventually; we expect and intend to do that eventually; but we will build up this means-test-free pension gradually over a period of years and we will write into our act a provision that says that this £10 superannuation per annum that is free of means test to anyone over sixty-five will be stepped up annually at a rate of £2/10 a year until eventually it reaches the original maximum of £104—and then it was increased until the eventual maximum was £117 and now it is £130. The present situation is that the New Zealand old age superannuation benefit will reach its maximum of £130, if the present program is continued, in the year 1988. In the meantime it has risen in amount steadily and as of April 1 of this year the universal superannuation payment has risen to £35 New Zealand a

year, payable quarterly. Now, no one under sixty-five years of age can qualify for that. Anyone under sixty-five who requires assistance is eligible only for the means test type of pension. All those above sixty-five years of age, however would be eligible for the amount of £35 a year. If a person is eligible on grounds of age and residence he gets that amount, and he does not come under any means test program to get it. If he has additional income that does not affect his right to this particular superannuation benefit payment. If, on the other hand, he is in the lower income group and receives £35 a year and if that plus his own resources would not suffice for him to live,—if he has got nothing else at all let us say,—then that man obviously cannot live on less than £3 a month. He must apply for supplementary assistance, and in that case he does not draw his universal superannuation benefit at all, he applies for the old age benefit, his means are tested and if he is found eligible he is given up to the maximum of £130 a year, depending on his age.

Now, I think it is interesting to note that while the universal superannuation benefit has increased from £10 to £35 during the ten years it has been in existence the maximum, the ultimate target, has gone up from £104 in the same ten-year period to £130; so that they are still further away from their ultimate objective of the full universal superannuation payment in 1950 than they were in 1940 when they started their scheme. And the importance of that is I think related to the means test age benefit program because it shows that you have to maintain the relationship between these two. It is the maximum required under the means test program that is likely ultimately to require the provision of the same ultimate maximum in the non means test program; and that I think is significant when we consider the cost implications of any combined program of this kind.

Are we clear on that, the primary relationship between the two, before we go on?

The CHAIRMAN: Are there any questions on it?

Mr. KNOWLES: May I ask a question in this way? It means then that a person with no other means at all, just to make it simple, to qualify for the £35 without a means test, he can do that; but if he wants more, in effect, he can get the additional £95 from the means test pension.

The CHAIRMAN: No, he takes the age benefit instead of the superannuation pension.

Mr. KNOWLES: But in practice what they give him is the £130 means test payment.

The WITNESS: That is right. Suppose he applies for the means test pension, and suppose that they find that his means are such that if there were no universal superannuation benefit at all he would only be eligible for £20 a year due to property or other income. He would still be eligible for the superannuation benefit of £35 a year. He would be told in effect that he could not draw the age benefit, that he would have to go back and take his universal superannuation and forget about the supplementation because his means were greater than would justify any supplementation of the superannuation payment.

The CHAIRMAN: This system of superannuation benefits was introduced at the same time as the social security tax was introduced?

The WITNESS: That is right, Mr. Chairman. Up to 1938 the means test age benefits, which as I say still constitute the bulk of expenditure on old age, were paid out of the consolidated revenue fund and it was only when they introduced the specific contributory feature of a social security tax that they introduced the superannuation benefit in addition to the age benefit. It was only then they introduced this new feature of means test free pension—and of course it was set at a very nominal amount when this legislation was introduced in 1938.

The original social security tax or contribution started off with a 5 per cent tax on all income plus registration fee and subsequently went up to 7.5 per cent, which is the figure now in effect in New Zealand.

Mr. CROLL: Subject to exemptions?

The WITNESS: No exemptions—or practically none.

Mr. CROLL: And in that way it is different from Australia; in Australia there were exemptions.

The WITNESS: Yes. There is in Australia the basic exemption of £104 a year, with the tax starting then at 1.25 per cent for the lower income brackets and going up progressively to a maximum of 7.5 per cent in Australia. New Zealand has no exemptions of any kind, or very few exemptions. It applies at the rate of 7.5 per cent from the first dollar earned for the wage earner and 7.5 per cent on income earned from investment by individuals, and 7.5 per cent of all net income of corporations. In the case of corporations it is not a payroll tax, it is really a special income tax on profits, on net income; and, as will be shown by a later table, most of the revenue that is derived through the social security tax comes from salaries and wages, something like 60 per cent as I recall it. The next largest amount comes from personal income other than salaries and wages.

Mr. CROLL: You refer to that on page 39, do you not?

The WITNESS: Yes, on page 39; and the smallest percentage comes from company income. 62.9 per cent of the revenue from the tax comes from salaries and wages, 23.7 per cent from other individual personal income, and 13.4 per cent from company income, as I described it.

Mr. KNOWLES: And in addition to that there would be the general income tax payment as in Australia. You are going to include that in the table you are preparing showing us how it works out?

The WITNESS: Yes.

The CHAIRMAN: With respect to the point you have just covered, is there any retirement condition for the receiving of this universal superannuation payment?

The WITNESS: No, you can receive this universal superannuation benefit and you can go on working. And it might be of interest at this point if I were to give you the figures which show you how complete this coverage is.

The CHAIRMAN: I believe that this feature of retirement is quite important.

The WITNESS: These figures, which I quote from the book to which I have referred earlier, are in terms of total population as of December, 1947, and in terms of benefits as of September 30, 1948. At that time there were 156,950 people sixty-five years of age and over in New Zealand; of those 92,258 were on age or widows' benefits, both of which are means test programs; 63,814 were on superannuation benefit free of the means test; and 878 for one reason or another were not on benefit at all. Those people might be people who did not apply, and people who for reasons of residence or other reasons were unable to qualify. While I am giving you that figure I might also add the figures for the sixty to sixty-four year group. There were on the dates I have mentioned 79,575 persons over sixty and under sixty-five in that group; of them 25,262 were on age or widows' benefits and 54,313 were not on benefit.

By Mr. Ferrie:

Q. Dr. Davidson, is there any other superannuation benefit scheme in New Zealand beside these two?—A. You mean, such as our civil service superannuation scheme or private pension schemes?

Q. Yes, such as those operated by banks, railroads and so on.—A. I am not informed of that, Mr. Ferrie, I am sorry to say. I wonder if Mr. Willard has any knowledge of that. Mr. Willard is under the impression that there are some voluntary schemes and some supplementary schemes, but I doubt if we have any information to indicate what the extent of special pension schemes is as compared to those in existence in our own country.

Q. Have you any idea, or have you any information as to how they control that, whether they let them receive that benefit, or whether they take that away? —A. I think the best I can say to that is that we really have no information on New Zealand respecting private pension schemes. I am under the impression, and I may be quite wrong, that there is nothing like the development in New Zealand of non-governmental pension schemes such as we have in Canada and certainly nothing like the development they have in the United States.

Mr. KNOWLES: There was a series of articles in the *Winnipeg Free Press* not long ago—I am sorry I have forgotten the name of the author in which it was pointed out that there had been an increase in pension schemes providing additional benefits.

Mr. FERRIE: Grace Atkinson wrote that.

Mr. KNOWLES: Well, that does not matter; but since these universal benefits have come into effect the tendency has been for New Zealand people to provide additional benefits to quite a considerable extent.

The WITNESS: And that corresponds, I may say, to the experience in the United States where there was, I have been informed, an increase in individual insurance coverage following the passage of their Social Security Act of 1935. I take it from your reference that you were speaking more in terms of personal insurance provisions rather than in terms of combined schemes involving groups of workers and their companies or their employers.

Mr. KNOWLES: My point was that once a guarantee is provided people are encouraged to add benefits.

Mr. MACINNIS: Might I ask Dr. Davidson one question on page 14, referring to the universal superannuation scheme and the maximum in 1988? At that time the age benefit might possibly be above the superannuation benefit to persons aged sixty-five and over. Is there any provision in the legislation to adjust that?

The WITNESS: That is a matter of prophecy, but the statement to which you refer is based upon the law as it now stands and on the assumption that parliament of New Zealand, in the meantime will make no changes in the maximum age benefit provided under the means test. Assuming that there are no subsequent changes in the £130 maximum pension as paid under the means test program that is a true statement.

Mr. CROLL: But the essential situation is that you can take either the one or the other, whichever best suits your case, but you have the one as a result of the means test whereas the other is free.

The CHAIRMAN: Do you qualify your statement by stating that it is according to the present existing legislation?

The WITNESS: Yes, as the law now stands. Now, there may be changes in the law, but on the basis of the present legislation if it goes on without being amended, without any change, from now until 1988, the position then will be that the universal superannuation program will automatically do away with age benefits subject to the means test payable to persons over sixty-five. There will remain of course the means test program for persons between age sixty and sixty-four, but there would be no persons from sixty-five years of age on in the age benefit program because they would all by that time be enjoying the

maximum superannuation benefit; and it would not be possible under the law as it stands at the present time for a person in 1988 to draw the maximum superannuation benefit and then apply under the age benefit program, on the ground the superannuation grant of £130 is less than the maximum income allowed under age benefit. That is provided in the legislation. Does that satisfy your point?

Mr. MacINNIS: It is not important, but I am fairly familiar with the New Zealand security legislation, and I do not see how he could avoid the means test.

The WITNESS: Well, I suppose it would not be impossible for a man to insist on being means tested. I do not know how many would avail themselves of that privilege.

Mr. MacINNIS: But the means test gives him the maximum amount payable, £130.

The CHAIRMAN: That would be the case if the present legislation were changed, but what Dr. Davidson has said is based on the present legislation; that that is what would happen.

Mr. CROLL: It would be possible from past experience. One could easily see the possibility of this amount not reaching its maximum in 1988. It is quite possible, theoretically, that there might be two, three or more changes made before that time. It may be in the next century before they actually reach their limit.

The CHAIRMAN: It all depends.

Mr. CROLL: You see, during the last ten years they have made three changes in that act.

The WITNESS: Yes, they have brought about three changes in the past twelve years. As a matter of fact every time a change has been made in the means test program they have equated the superannuation benefit maximum; and when you consider that the full implications of this program are not yet realized in the terms of current expenditures it may be well to keep in mind at least the possibility that there are two ways in which that £130 maximum in the superannuation scheme can be adjusted; one of them is up and one is down.

Mr. CROLL: Yes, I was thinking of the up; but go ahead, we are interested in that.

The WITNESS: I am simply pointing out that under the universal superannuation program as it stands today, paying only £35 a year out of £130, that is little more than 25 per cent of the actual ultimate cost per individual. The cost of that program combined with the age-benefit program was in 1949-50 somewhere around £17,545,000 annually, which is already 56 per cent of the total revenue derived currently from the 7.5 per cent social security tax. In 1988 the cost of the universal superannuation scheme, even if you do not assume an increase in the numbers of persons age sixty-five and over, will be almost four times what it is today. This will be offset of course by the savings in the age benefit program due to the transfer to superannuation of all persons 65 and over. But it will still require an amount to pay the universal superannuation benefit alone that is substantially greater than the total expenditures now being made on age benefit and superannuation combined. Unless revenues derived from the social security tax increase proportionately, age benefits and superannuation payments will continue to take an ever increasing percentage of the revenue from this tax. Now, add to that the inevitability of a larger number of aged persons—and from 1936 to 1945, the percentage of persons sixty and over increased from 10.42 per cent of the total population to 13.83 per cent of the total population—and you will find that the 1988 cost of the universal

superannuation benefit plus the continuation of means test benefits for those 60 to 64 will be considerably greater than it is today and such as to require a very high proportion indeed of the total collections from the social security tax revenues.

Now the assumption, of course, is that productivity will increase, that population will increase, that the national income will increase and that the revenues from the social security tax will progressively increase and keep pace with both the increase in cost as superannuation payments build up to a maximum and also the increase in the number of recipients. That is the assumption, but the point to note is that it is an assumption that, if I may put it this way, has been embedded right in the New Zealand legislation itself; and they have made this assumption without considering it necessary to build up any actuarial reserve or even any large contingency reserve as in Australia as a hedge against that assumption not being realized. I confess that I am not clear in my mind as to what will happen if this double increase in the size of benefits and in the number of persons who benefit keeps pyramiding costs through a period of depression just at the time when the revenues contributed by the Social Security tax will be most likely to decline. The deficit would presumably have to be met by increasing the amount of government contributions. But this would be the very time when productivity would be on the decrease, when the national income would be declining and when government revenues would be least able to meet this steadily increasing financial burden. Now, I am not an economist, and frankly I am not familiar enough with the New Zealand economic situation or their long term forecast to be competent to express an opinion on what might happen at any time between now and 1988.

Much of the same uncertainty probably exists in terms of any country, but I think the thing you need to note about New Zealand legislation, the thing which is significant is that the legislation itself guarantees at the present time these steadily increasing amounts to a steadily increasing number of people, and that it assumes on the other hand without building up any actuarial reserves as they do in a strict insurance program, let us say in the United States—it assumes that the revenue will be available from year to year to meet those steadily increasing costs.

By Mr. MacInnis:

Q. Is it not true that the increase is only a part of the present amount, since it has to be compared with what it was in, let us say, 1938? And as to the scale of the various benefits, is that not related to some extent to the matter of price as well as productivity in volume? If prices were to fall and national income were to fall as well, I think the volume of productivity might be the same as it was before, but the benefits would have to be reduced?—A. That was certainly the experience of both New Zealand and Australia in 1932. But the point is that the annual increase of the universal superannuation benefit is guaranteed annually in the law itself, and it would require amending legislation to change it.

By Mr. Croll:

Q. Everything you have said now, and I think in answer to that question, is very important, because I thought you were drawing a distinction between the funded scheme and a pay-as-you-go scheme.—A. I am not drawing a distinction between a funded scheme and a pay-as-you-go scheme of the ordinary type. The New Zealand scheme is not an ordinary pay-as-you-go scheme. It is not a scheme in which you take a flat commitment of so much a month as the pension rate and say: this is all we are going to pay indefinitely into the future, and this is how we are going to finance it.

Instead, under this pay-as-you-go basis you have this escalator clause which guarantees in the law a gradual increase in the superannuation benefits payable to a steadily larger number of people; so I think this introduces considerations even more weighty.

Q. Dangerous might be the word.—A. It is one thing to adopt on Old Age Security program involving payment of a flat amount to each eligible person, when you know that the population is going to increase. Even that involves one variable. But at least you set benefit level which is fixed at the moment and for some time to come; it is likely to be a kind of benefit which is reasonably adequate on at least a minimum basis, although we know there are going to be differences in the adequacy of this flat benefit for different individuals in different circumstances.

We may, under such a program, set up a financial structure either from a contribution or a revenue point of view adequate to carry such a benefit rate as the population grows.

That is one thing. It is another thing to do as they did in the United States, to start a small insurance benefit and build up actuarial reserves which will take care of the greatly increasing benefits in years to come. But that, in turn, is a completely different thing from what they are doing in New Zealand, in adopting a pay-as-you-go scheme without any actuarial or contingency reserves. This legislation guarantees that the amount of benefit will increase over a long period of years, and yet there is not provision for meeting these higher costs in later years either through an increase in rates of contribution, or in the establishment of an actuarial reserve. That to my mind is the principal distinctive feature of the New Zealand legislation and it raises at least some theoretical questions as to how a program of this kind is going to go through a period of declining national income and how it is going ultimately to be financed on a year to year pay-as-you-go basis when it arrives at the ultimate maximum.

Q. I expected you to say that these people have had a longer experience than any other people with the exception of Denmark in what we know as the civilized world in this particular line of social service.—A. That is quite correct, with respect to means test pensions.

Q. Yes; but in the general social security program they have this backlog of experience and they are now applying it in the light of their experience.—A. Yes.

By Mr. Laing:

Q. Would their success depend on whether they increase their national income by 1988?—A. Yes, but I should of course repeat that to some extent these magnitudes of future cost are offset by the fact that as your superannuation benefits build up, the cost of means-test age pensions declines to some extent.

By Mr. Ferrie:

Q. Is there a stated amount for it to go up each year?

The CHAIRMAN: Yes, and it is £2 10s.

Mr. FERRIE: It is in the Act and they cannot increase it themselves?

The CHAIRMAN: Yes, it is in the Act. On general principles it is a system of pay-as-you-go, a universal system without means test, and it applies to all people 65 and over. Is it correct to assume that if there is one person of 65 and over in a given country for every six gainfully employed, those who are gainfully employed have, in theory, to provide among themselves for the cost of the pension which is paid to the 7th man, theoretically?

The WITNESS: Your question answers itself, I think. The only productive elements in the community are the six you are referring to.

The CHAIRMAN: Yes.

The WITNESS: The means of living of the seven have to be derived from among the six people who are productive, and only those six people.

By Mr. Croll:

Q. Is the ratio of six to one a proper ratio?—A. Oh, I am only assuming it.

By the Chairman:

Q. Would that be about correct for Canada, that six to one of those gainfully employed? I mean six to one who are 65 or over?—A. No. There are at the present time about 1,070,000 persons 65 or over in Canada and the total population of Canada averages around 14 million from which you have to deduct the children and the dependents and wives.

Q. What about the gainfully employed?—A. The labour force now runs around five million.

By Mr. Croll:

Q. 5.2 million.—A. That includes, however, a substantial number of persons of 65 and over.

Q. Yes.—A. So I would simply say that the ratio between the 65 and over and the gainfully employed is lower than one to six which you mentioned. I would not like to give any exact ratio without doing some pencil work on it.

Mr. LAING: How can we say that no person makes any contribution?

The CHAIRMAN: I am not saying that he does.

Mr. LAING: Well, you say that six look after one.

The CHAIRMAN: I am only assuming that of the gainfully employed there is only one who would not be paying social security taxes.

Mr. MACINNIS: Not the total labour force which is gainfully employed; they are productively employed.

The CHAIRMAN: It is an important feature that there are only five people who will pay taxes to pay for the pension of the sixth one, for instance. And if you have a \$50 pension per month without a means test payable to everybody of 65 and over, that means that on the average one would have to collect only for Old Age Pension purposes \$10 per month from each of the five.

By Mr. Knowles:

Q. If you are trying to say that the five out of the 14 people who are employed are productive of the wealth out of which those who are not productively employed live, then you say that the five produce for themselves and for the other nine, the other nine including the old people, the children and the wives.

The CHAIRMAN: Yes.

Mr. KNOWLES: Well, I would like to put a word in for your wife and my wife and suggest that they, while they may not take home a pay envelope, are working as part of the picture as well. So it is not just the 5 million of the labour force who are producing the wealth.

Mr. LAING: I hope not.

The CHAIRMAN: I am talking about the gainfully employed and those are the ones who pay the taxes.

Mr. KNOWLES: Well, suppose you argue it out with your wife.

The CHAIRMAN: I am not arguing. I simply point out some facts which I believe the members of the committee should keep in mind.

Mr. LAING: In New Zealand these people do continue to work after 65. In fact they are encouraged to continue making their contributions. That is a very interesting aspect.

The CHAIRMAN: Yes, and I do not believe any member of the committee would try to discourage people of 65 from continuing to work.

Mr. CROLL: In the light of what you say, you have to consider the North American atmosphere. It is not so much what you and I might decide here as to whether or not a man should work. But the United States has decided that 65 is the retirement age and they have written it into their laws and the result is that it influences private employers, and it influences us in this country, and there is nothing we can do about it except fall in line with it. But it does not affect them in New Zealand in the same way at all.

The CHAIRMAN: I believe I have been giving the committee a very bad example and that I am getting out of line completely. I believe we should get back to New Zealand.

An hon. MEMBER: Something seems to have been proven that you did not want proven.

The WITNESS: Mr. Chairman, at the top of page 2 you will see a list of the benefits paid under the means test basis and those paid under the non means test basis; and the latest information from New Zealand shows that we should eliminate the reference in line 5 to the "Maori War Benefits". The last veteran of the Maori war died last year.

By Mr. Brown:

Q. Could I ask, since you have brought up the question of the Maori veterans, if the Maori benefit under this universal superannuation pension scheme?—A. Yes.

Q. They will benefit the same as the other residents or citizens of New Zealand?—A. That is right.

Q. Thank you.

By Mr. Ashbourne:

Q. Would Dr. Davidson care to mention anything about the civil servants of Australia and New Zealand in regard to the plan? I presume they do not come into this plan at all.—A. Yes, sir, they do, but I am not certain, or informed as to whether in addition to this there is a superannuation plan for government employees similar to the one we have in effect in Canada. I assume there is.

Q. And they would pay 7½ per cent tax as well.—A. Oh, yes.

By Mr. Ferrie:

Q. Do they take in a provision for total disability?—A. Under the invalid benefit, but not under the age benefit because there is some transferability from one benefit over to the other at age 60 or 65.

Q. Supposing there was an accident and a person got totally disabled in that accident, would this scheme take him right in?—A. Yes. That comes under the invalid benefit clause.

Q. Without a contribution or anything else?—A. He would have been making his social security contributions of 7½ per cent right along and he would continue to make his contribution of 7½ per cent if he had any income; and that benefit is paid under a means test.

Q. Suppose he never did make any contribution?—A. The New Zealand system does not call for any co-relation between prior contributions and the right to benefits. In other words, it is assumed under the New Zealand scheme that

the tax collector has caught up with everybody, and it is not the practice under their law for them to say: before we pay an invalid benefit we will check back on your record to find out whether there is proof of the fact that you have paid your contributions over the years that you should have paid. They assume that. It is implicit in their program.

By Mr. Richard:

Q. What is the date from which it starts?—A. I think it is from age 16. Like most of the cash benefits in New Zealand the invalid benefit is payable subject to the means test.

I would like to hurry on and to get through the rest of this introductory section which I think simply gives the economic background and the general background of the country and come to the section marked "Age-Benefit", which is a section we have not yet dealt with. It is on page 6.

You will note at the bottom of page 6 the figure as of September 1949 showing the recipients of the means test benefit and the total cost involved; with 115,299 recipients on that date there is an estimated actual cost of £15,350,000 as the cost of the means test benefits for the fiscal year 1949-50. You will note the substantial percentage that this means test old age security program represents as a proportion of total expenditure from the social security fund. It represents approximately $\frac{1}{3}$ of the total benefits paid from the social security fund. I think that is significant, as an indication of what percentage of the total $7\frac{1}{2}$ per cent contribution is necessitated by the old age security program, although it is not of course directly connected with the old age security program as distinct from any other aspect of the program.

Now we come to the section "Income Qualifications".

By Mr. Knowles:

Q. Just roughly speaking, would it be fair to say that about 33 per cent of that $7\frac{1}{2}$ per cent tax is what is being paid for the old age part of the program?—A. No. These figures here do not include the superannuation benefits at the bottom of page 6, but they do include the point I mentioned before, the superannuation benefit in respect to these people who are drawing the age benefit.

The CHAIRMAN: Are we ready now to go on to "Income Qualifications"?

By Mr. Knowles:

Q. Is there any place where you show the figures as to what the total age benefits of both kinds of means test and of superannuation amount to in terms of a percentage of the total amount spent on social security?

The CHAIRMAN: I think I have seen a graph over on page 19.

By Mr. Knowles:

Q. In other words, I am trying to get at what I referred to a moment ago: can we have a rough idea as to the proportion of that $7\frac{1}{2}$ per cent which New Zealanders are paying for their old age pensions?—A. If you will look at the graph before page 20, the graph there shows that out of the total in the fund, 29.3 per cent was paid out for age benefits and 4.2 per cent was paid out for superannuation benefits. Therefore the total amount of 33.5 per cent of the total in the fund was paid out for age and superannuation benefits, but since the balance in the fund was 11.7 per cent, the combined age program represents probably nearer 40 per cent, I would say.

You will find again on page 37 figures which I think are nearer to what you want.

In the year ended March 31, 1949 means test age benefits cost £13,790,971; while the universal superannuation benefits cost £1,850,079. The total would be about £15½ millions. That should be taken in relation to the total expenditure of £42,997,037 for all forms of social security pension; so it is roughly 38 per cent of the total spent for social security.

Q. So I am right back to where I was. It was about 2½ per cent of the taxes, or it roughly represents what they are paying for the combined old age protection which they have at the present time.

The CHAIRMAN: At the present rates.

The WITNESS: Yes, at the present.

Mr. KNOWLES: And the other five per cent is to cover the other points that are included.

By Mr. Laing:

Q. I wonder if Dr. Davidson would make some observations on the tax of 7½ per cent on wages, incomes and salaries? Have you the experience of other countries, and is that high? It seem to me high.—A. I might point out that the original tax was on a 5 per cent rate plus a registration fee. At that time, however, the family allowance in New Zealand was paid subject to a means test, and it was only in 1946 that they lifted the means test from the family allowance. It was at that time—and I speak subject to correction—that they increased the 5 per cent to 7½ per cent.

We shall have occasion as we come to other countries to give comparative ratios.

Q. Could they not be brought together?—A. Just to keep them together at this point I would say that you can take three countries, for example, Australia, New Zealand and the United States and get some relationship there.

Australia under its social security tax legislation exempts the first £104 to start with, but levies above that for social security purposes 1¼ per cent rising to a maximum of 7½ per cent. And in addition to that there is a payroll tax of 2½ per cent. Incidentally incomes above the £104 level are taxed from the first £ of income.

New Zealand on the other hand has a comparable range of social security benefits, levying a 7½ per cent social security contribution on all income from the first dollar earned without any exemption such as in Australia, but without any progression in the tax. It is just a 7½ per cent contribution and it applies not only to a personal income but also to net corporation income. It does not levy a payroll tax.

The United States on the other hand—but before I speak of that, I should say that Mr. Knowles has assisted us to work out the proportion of that 7½ per cent contribution which is related to the old age scheme—and it can be said to be of the order of 2½ per cent. The United States for old age insurance alone apart from means test pensions, is limited in its coverage to 34 million wage earners out of a total of 60 million labour force in the United States, and it has been levying since 1935 a 1 per cent tax on its wage earners and a 1 per cent tax on the employers; and that has, beginning this year, been increased to 1½ per cent for wage earners and an equal amount for employers.

By the Chairman:

Q. For old age pensions alone.—A. For old age and survivors insurance alone; and on an insurance basis free of the means test, with the amount of benefit calculated on a semi-actuarial basis. That amount of benefit is going up to a figure more nearly approaching adequacy as the years go by. There is a modified actuarial reserve involved in the scheme.

By Mr. Croll:

Q. May I suggest one thing? I am very much interested. It occurs to me that by the time we finish the United States system, it would be well if the doctor would provide for us a composite picture of how they differ, where they agree, and the main points so that it will bring to the fore all those arguments that we have been having right along.—A. You want the highlights?

Q. Yes.

Mr. FLEMING: In the form of a table.

Mr. CROLL: Yes. A table, because there will be three systems to be considered as well as our own.

The WITNESS: And what about the United Kingdom as well?

Mr. CROLL: Well, the United Kingdom, you can give us the highlights of it.

Mr. LAING: When are we going to get down to some discussion about providing a pension scheme in Canada which is qualified perhaps by outlook towards industrial pensions, which do not apply so much in New Zealand but which could certainly apply in Canada?

The CHAIRMAN: We can do that right after we have finished with these foreign countries. We shall go on tomorrow with New Zealand. We have gone over the general principles and we shall try tomorrow to get in more details so, if possible, we can finish it by tomorrow night at 6 o'clock.

Mr. KNOWLES: Once we get these income tax tables which I asked for, it seems to me that New Zealand would be pretty well covered. I think the doctor finished it before we got to page 2. I think we really had the whole picture.

The CHAIRMAN: Well, we shall go on tomorrow at 4 o'clock in this same room.

—At 6 p.m. the committee adjourned to meet again tomorrow at 4 p.m.

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House of Commons
SESSION 1950

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JOINT COMMITTEE OF THE SENATE
AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

WEDNESDAY, APRIL 26, 1950

WITNESS

Dr. G. F. Davidson, Deputy Minister of Welfare, Department of National Health and Welfare.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.P.
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1950



MINUTES OF PROCEEDINGS

WEDNESDAY, April 26, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 4.00 p.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Also present:

The Senate: Honourable Senators Burke, Doone, Farquhar, Ferland, Hurtubise, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brooks, Brown (*Essex West*), Cannon, Corry, Courtemanche, Croll, Ferrie, Fleming, Homuth, Knowles, Laing, MacInnis, Macnaughton, Picard, Pinard, Richard (*Gloucester*), Robertson, Shaw, Smith (*Queens-Shelburne*), Weaver, Welbourn.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare.

Dr. Davidson was recalled and further examined on the Old Age Income Security Program in New Zealand.

At 6.00 p.m., the Committee adjourned until Thursday, April 27, at 11.00 a.m.

R. ARSENAULT,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

April 26, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 4 p.m., Hon. Senator J. H. King and Mr. J. Lesage, M.P., Joint Chairmen were present. Mr. Lesage presided.

The CHAIRMAN: Well, Gentlemen, we shall come to order. We have a quorum. When we adjourned yesterday we were studying the Old Age Income Security program in New Zealand. We were about to come to page 7, to the chapter entitled "Income Qualifications".

Dr. G. F. Davidson, Deputy Minister of Welfare, recalled.

The CHAIRMAN: Do you wish to make any additional comments, Dr. Davidson, or would you like the members of the committee to ask you questions right away?

The WITNESS: With your permission, I would like to make two brief corrections.

Mr. FLEMING: Mr. Chairman, may I ask one question arising out of this introductory part?

The CHAIRMAN: Please go on, Mr. Fleming.

By Mr. Fleming:

Q. I wonder what information our department here obtains as to the way in which the system works out down there? I am speaking not of the statistical information but of other information you have here which may be coloured by opinions, perhaps; but is there any information which obtains here as to the way in which the systems are functioning in New Zealand?—A. We obtain information in a variety of ways. In the first place we have reports sent to us from time to time through the office of the Canadian High Commissioner in New Zealand. Secondly, we are in fairly close touch with the New Zealand High Commissioner's office here in respect to information; and perhaps our most important source of information particularly in respect to New Zealand is the contact we have established with the chairman of the Social Security Commission of New Zealand who has been in Canada within the last five years on at least two occasions.

B. W. Waters is the chairman of the Social Security Commission of New Zealand and on both of his visits we spent a considerable amount of time together, and I got details from him as to how the program operates in New Zealand.

That, as you yourself have said, and the other sources of information that we have, are perhaps somewhat subjective, but we have been able to get the feel of the administration and the way in which the program operates to a fairly reasonable extent.

So far as Australia is concerned, we ourselves (back in 1946), invited Mr. F. W. Rowe, the Director-General of Social Services in Australia to come

over here for an extended period of consultation and we went with him into the details of the Australian program at that time and got a good deal of information from him through the process of direct consultation.

That sort of information just does not come out in Annual Reports or in documentary materials that may be sent forward. So through those contacts, plus similar contacts with the United Kingdom people and with the United States people, we endeavour to get some idea of the way in which the program operates as well as the bare facts that we get in annual reports and other documents.

Q. Are you prepared to give to the committee the benefit of your impressions derived from those contacts as to the administrative problems in the way of any serious difficulties which have developed in the functioning of the scheme down there apart from what has been done in the brief?—A. I could give perhaps a few useful comments on the various program, but I must add that I think that the information which I would have along those lines is conditioned to quite an extent by the point of view of the person with whom one consults.

We have discussed with Mr. Waters certain of the problems which he faces in New Zealand; and the impression we get from him is that the New Zealand programme is one which is pretty adequate and satisfactory for the people of his country. Likewise Mr. Rowe of Australia conveyed that impression to us so far as the Australian people were concerned. But I cannot really say, Mr. Fleming, whether impressions of this kind would give the committee any additional help towards the problem they are seeking to solve.

In one country the means test program may, because of the relative generosity of the means test, turn out to be relatively satisfactory or acceptable to the people; while in another country, because they have a system which proposes abandoning the means test, that system to them is a more satisfactory system.

Q. I take it then from the point of view of reference to the system they are administering, that they have not found many serious quirks or difficulties in the system; but their opinion as to a difficulty might be of some value. I am not thinking so much of their opinion from the general point of view, but rather from the point of view that they may have found some serious difficulties in the system that may be of some help to us.—A. I can give you one example, perhaps, as an illustration of the kind of thing you are looking for. One of the questions which is always with us, and which has always intrigued me about New Zealand is related to the basis they have for financing their social security program on the basis of social security taxes. According to the arrangement which they have in effect it is assumed that everyone during the course of his lifetime has been caught by the tax collector for his social security contribution, and is therefore eligible for benefits.

That distinctive feature of the New Zealand program makes for simplification of administration because there is no administrative problem involved in trying to tie up past records of contributions with the question of eligibility for benefits.

I have often wondered and asked myself the question from this distance: whether or not there is a substantial amount of evasion of social security contributions in New Zealand. I asked Mr. Waters his view of it, and his view, as I recall it, was that there was relatively little evasion. But he was speaking from second-hand information in making that statement because the collection problem is handled not by the social security commission but by that department of the government which collects the income and other taxes.

But he went on to point out to me—and this I think is the most interesting part of this point—that the very nature of the country itself, the small size of the country, and the fact that almost half of the population are concentrated in four large cities, and the accessibility of the people to the more central cities

and areas—that that of itself makes possible certain devices in the way of tax collection or contribution collections that might conceivably not apply with equal ease or to the same degree in a country such as the United States or Canada, where the population is more widely dispersed and there are far regions to which individuals might go for the purpose of avoiding their obligations under the social security contribution.

That is just an angle which I think is significant in terms of getting these shades of effectiveness as between the various programs as they are applied in their respective countries.

Now when Mr. Rowe was here, we went into some detail with him as to the reasons why Australia under Prime Minister Menzies had placed upon its statute books in 1938, I think it was, what I describe as an orthodox contributory old age insurance program involving contributions from the individual, from the employer, and from the state. We were interested to know why, having put that legislation on the statute books, the succeeding Labour Government left it there without taking any action on it, but continued to operate, and apparently to prefer the continuation of the means test program; and in fact, in 1948, since Mr. Rowe's visit to our country, it repealed the original contributory insurance enactment.

One of the reasons for that was possibly that there was a change of government with a different point of view on this question. But I think the more significant fact to note from our point of view was that this retreat from the orthodox contributory insurance approach took place at a time when other countries such as the United States were embarking upon a contributory insurance approach, even at a time when we in Canada were discussing and considering it pretty seriously.

The point of view which seemed to be held by a substantial number of people in Australia was that this was not the kind of approach that they wanted to adopt towards old age security. I think it is quite clear that the former Labour Government of Australia—which has just left office—for some reason preferred the continuation and improvement of the means test program rather than the contributory insurance program; and at least one of the reasons for that, so far as we have been able to determine, was, in the view of the former Labour government, the effect of this so-called tri-partite distribution of costs.

By Mr. Croll:

Q. You are now talking about Australia?—A. Yes, Mr. Croll. And as I was saying, the effect of this so-called tri-partite distribution of costs was not, in their view, to spread the costs equitably as between industry, the workers, and the government. It was rather, in long run terms, as they saw it, to load all three portions of the cost on the individual consumer. This was the viewpoint of the government to which I referred. The individual paid his own contribution. The industry passed on their share of the contributions in terms of increased costs of the product, and the government got its one-third of the contribution out of the individual taxpayer anyway. That was the point of view which seems to have been held so far as the Labour government in Australia was concerned. Rather than do that, they preferred to continue on the basis of a liberalized means test program and to have it financed from a special social services contribution imposed directly on the individual himself, and on payrolls.

As they find it possible, in the course of years to relax the means test, they do so; they may, in deed, over a series of adjustments, relax the means test to a point where it becomes meaningless, and eventually be able to abolish it. But they prefer such an approach to an orthodox contributory insurance approach

that was envisaged in the law passed in 1938 by the government which was replaced by a labour government, the government which is now back in power.

I cite this as an example of the kind of local colour as to problems in Australia and New Zealand that we were able to get through these contacts; but I am not sure that I can help you much more in terms of providing other illustrations of the kind of thing that you want.

By Mr. Shaw:

Q. May I ask Dr. Davidson if Mr. Rowe of Australia commented upon the reason for maintaining the means test when an individual was buying his security through a levy placed upon him? What I have in mind is this: today, of course, you can go to an insurance company and you can buy a policy. It does not matter whether you have a million dollars or not. So long as you qualify for the benefits under that policy, you will be paid.

I wonder if Australia may have given any reason for maintaining the means test under a scheme where they charge an individual for the protection which was levied upon his income?—A. I would not like all that I have said in this general way to be attributed specifically either to Mr. Rowe or to Mr. Waters because I am speaking, as I recollect it, of conversations which took place two or three years ago. I do not recall that Mr. Rowe made any specific comment on your point. My own interpretation of it would be that there is at least the hope in the minds of the Australian authorities that having established the contributory base for the program, they will be able through a succession of steps to relax the means test and to get as far as they can along the road to the abolition of the means test as quickly as possible.

But I had occasion a couple of years ago to read some of the policy declarations of the Labour Party in Australia. At the time the Labour government was in power. In the development of their party platform they went on record as favouring the progressive elimination of the means test from the present programme through a series of five successive steps. Those five steps were outlined in their platform and in their program, so that one can see from that, perhaps, as at least a partial answer to your question, something of what that particular party had in mind as a justification for basing their old age pension on a contributory principle on the one hand while still retaining for the time being at least a degree of means testing in respect to benefits. What the policy of the present government in Australia will be,—the government which passed the original contributory old age insurance Act, and which is now back in power—I do not know.

By Mr. MacInnis:

Q. Is it not a fact that the Australian Welfare Fund or the Old Age Pension part of it is not on a strictly insurance principle or really not on an insurance principle at all, although there is payroll contribution? If it was on the insurance principle then obviously the lower income wage and salary brackets would be able to purchase a much smaller old age pension than those in the higher brackets; so the thing is met in general by a contribution from various sources?—A. That is correct. Now, Mr. Chairman, I would like at this point to clear up one point in the evidence yesterday with respect to Australia. I think Mr. Willard made the point that the first £104 of individual income for a single person was not subject to the social security tax beginning at $1\frac{1}{4}$ per cent in Australia. That exemption applies so far as people having an annual income of less than £104 per year are concerned; but like our national defence tax during the war, the minute a person gets over this £104 annual income level, he is then subject to the graduated $1\frac{1}{4}$ to $7\frac{1}{2}$ per cent tax in respect to all his income from the first pound up without any exemption at all.

By the Chairman:

Q. That is to be found on page 18 of the Australian material also, Doctor; and I believe now we can carry on with "Income Qualifications in New Zealand". —A. Might I also, Mr. Chairman, clear up two additional points. I must confess to two errors that I made yesterday afternoon as well as the one error which Mr. Willard made in the morning. I have taken the liberty of correcting those errors in the testimony itself but I do not want the members of the committee to think that I was covering up on these points.

I led the committee to believe yesterday that so far as the universal superannuation payment was concerned in New Zealand it was subject to a character qualification. The character qualification applies only to the means test age benefit and not to the universal superannuation benefit.

The more important error which I made related to that portion of the discussion in which I was trying to project the ultimate costs of the universal superannuation plan in 1988 and establish a relationship between the ultimate cost of the universal superannuation plan and the revenues that are derived from social security taxes.

I made the mistake there of projecting those costs to 1988 on the basis of the combined present costs of the age benefit and the superannuation benefit. I should, of course, have projected them only in terms of the present costs of the superannuation benefit, taking into account the specific degree to which present expenditures under the age benefits are wiped out as the amount of superannuation benefits increase from year to year.

I would therefore ask the committee to take the record as it will appear in printed form as being the correct statement of the facts rather than the less accurate statement that I gave you yesterday.

By Mr. MacInnis:

Q. The printed word rather than your word?—A. Now, Mr. Chairman, I looked over this New Zealand material last night and I came to the conclusion that Mr. Knowles was just about right when he said in yesterday's meeting that I had just about given you everything before we got to page 2. But there are some points respecting this question of income and property qualifications which I feel should be brought to the attention of the members of the committee.

I said yesterday and I repeat today that at least as I see the comparisons, the only substantial difference which in any real way affects the application of the New Zealand means test programme in that country and the application of the Canadian scheme in this country is the question of age.

So far as means test features are concerned, residence features and any other points of this kind, there are undoubtedly differences as between the New Zealand provisions and the Canadian provisions. But those differences so far as I have been able to analyse them for myself are differences of detail and they are not substantial differences which affect in any over-all way the operation of the program.

Anyone who studies in detail the application of the means test provisions can find, if he wants to, a number of points at which the New Zealand means test formula is perhaps more generous than the Canadian.

I am equally satisfied in my mind that he could find an equal number of points where the Canadian means test formula is more generous than the New Zealand formula. I do not think it is possible to go beyond that in terms of any over-all conclusions as to which of the two are on an over-all basis more generous.

I would therefore propose with the committee's consent to outline the income and property qualifications and to show how they operate. First of all, so far as the income qualifications are concerned, you will recall that the maximum pension payable is £130 per year under the means test program.

A person on means test benefit can have an income annually as defined under the New Zealand law of £78 a year without any diminution of his benefit, that is, if he is single, so that he is allowed a combined pension and allowable income amounting to £208 a year, as you will find in the table in page 8. I should point out in passing that this figure of £78 has only very recently been increased from £52. This booklet I have in my hand entitled "The Development of Social Security in New Zealand" and dated 1950, still shows the allowable outside income figure for a single pensioner at £52 per annum.

Perhaps I had better give the Canadian currency equivalent to the figures given there with the same reservations that I mentioned yesterday. £130 actual benefit amount to about \$401 at the current exchange rate. £78 annual allowable income amounts to about \$240 approximately; this was until very recently £52 or \$160; so that the total of benefits and allowable income of £208 amounts to approximately \$640 per annum for a single person.

In the case of a married person, where only one of the two spouses is eligible, the maximum pension for one of those persons is the same, £130 or \$401.

The allowable income is the amount that you get for the single pensioner, £78, plus an extra allowance of £130 which is regarded as allowable income with respect to the spouse not on pension. So you would get a total allowable income of £208 or \$640, and that makes the total maximum pension plus allowable income for a married person of £338 or \$1,040. The situation where both married persons are eligible is the exact double of the situation with respect to single persons so far as pension is concerned but the allowable outside income in this case is only £78, the same as for a single pensioner.

Now, I should point to one important feature of the New Zealand program in so far as it affects, for example, a man who is let us say sixty-four years of age and a wife who is under the age of eligibility. In that situation strictly speaking under the law the man is eligible for pension and his wife is not eligible for pension; but there is a provision in the New Zealand Act which permits the New Zealand Social Security Commission to exercise its discretion and to pay the benefit to the wife as though she were of eligible pensionable age. That is an important provision and while we have not been able to get any official information as to the numbers of occasions on which that discretion is exercised, such information as we have been able to get indicates that it is a general rule rather than the exception. In other words, I think from what we know it may be assumed that in the case of married couples such as I have referred to the practice of the Social Security Commission generally is to grant eligibility for pension to both within the income limits to which I have referred.

MR. CANNON: That item there at the bottom of page 8, is that \$78 or £78 each?

THE WITNESS: That is £78. The combined allowable income of both man and wife when both are on maximum pension is only \$78—

MR. CANNON: £78.

THE WITNESS: £78, so their combined allowable income plus both benefits cannot exceed £338; and in that respect at least it is interesting to note that the New Zealand provision is comparable to the Canadian provision. We provide in the case of a single man \$480 maximum pension plus \$120 allowable income. The allowable income for a married couple in Canada both on pension is also \$120, the same as for a single man; likewise in New Zealand for a married couple both on pension it is no more than for a single person on pension.

MR. PICARD: You referred to the exercise of discretion by the Social Security Commission in respect to the granting of a pension to a wife who is below the pensionable age of her husband; is that covered by any regulation or is it entirely at the discretion of the commission?

THE WITNESS: The exercise of the discretion is authorized in the law itself. So far as we know it is not covered by any particular regulations; also in so far

as we know it is done in almost every case. Now, having in mind the maximum pensions payable and the income allowances we next come to consider how they make deductions from the allowable amounts of income, and the New Zealand practice there is to break the deduction down into two sets of deductions; they make certain deductions in respect of income and they make certain other deductions in respect of property. In respect of income the individual can have, a single person, £78 a year of income without any deduction whatsoever; but for every pound of income that goes above that £78, £1 is taken from the pension payable; and there are, of course, certain types of income which are specifically excluded from the calculation of income for the purposes of this act. I think perhaps I might read for the benefit of the members of the committee the definition of income that is given in this book on New Zealand pension practice to which I referred yesterday because this brings out a point which I think is interesting and perhaps of some significance in getting the picture of how income is calculated.

Mr. FERRIE: May I ask a question there? Have you any idea of the basic wage over there?

The WITNESS: We are getting that, Mr. Ferrie, in reply to a request that was made yesterday by one of the members of the committee.

Mr. FERRIE: But that was for Australia, was it not?

The CHAIRMAN: For both, and we hope that the information asked for yesterday will be available for the committee next Monday.

Mr. FERRIE: That will be in reply to both questions?

The CHAIRMAN: Yes.

The WITNESS: Income is defined this way: "income for pension benefits may include items which are ordinarily regarded as capital and includes all monies and the value of all benefits derived and received from any source except certain items which are specifically excluded." In other words they take all the income which is received by the individual, even in some cases capital items of income, and count that as income for the purposes of this calculation of £78 under the age benefit program. The following items, however, that a person receives in the course of a year are excluded as income. They exclude from the calculation of income any social security benefit whatsoever, funeral benefits from any friendly society, any capital moneys received in respect of the sale of exchange of any property. I point out, Mr. Chairman, they exclude that from the income calculation, but that is not necessarily saying that it is excluded from the property calculation to which I will turn shortly.

Mr. BROOKS: Would that include personal property as well as real property?

The WITNESS: I cannot give you a clear answer on that, Mr. Brooks. I think so. Moneys received on an insurance policy in respect of damage to any building that they own, capital moneys up to £500 received by the applicant under any life insurance policy effected on his own life. I draw attention again to the fact that while they exempt the £500 of the proceeds from life insurance policies from calculation of income they include as income the proceeds of any life insurance policies which are in excess of £500. In other words if a person receives £600 a year in a given year from the proceeds of a life insurance policy on his own life £500 is excluded and not taken into the calculation of income but the £100 over and above the £500 is taken into account not as property on an annuity basis as in our country but as current income; and that excess sum of £100 in the case of a single man would be in excess of the £78 which he is allowed and consequently would result in a diminution of his benefit.

Mr. MACINNIS: Is that for a particular year?

The WITNESS: Yes, for the particular year, you are quite right.

Mr. BROWN: Would not that be a terrific hardship on some widows?

The WITNESS: Well, it would mean that in the case of an individual who gets a lump sum of this kind in one year, the fact that it would be considered as income would mean that it would certainly disqualify a person, if it is large enough, for pension for at least a period of time.

I go on to the next point. There is also exempt all capital moneys received from the estate of a deceased husband or wife. They exempt that from the calculation of income. They also exempt that from property calculation for the remainder of the benefit year in which the individual dies, but beginning with the next benefit year they will take that property inherited from the deceased spouse into account under the property calculation although they will not take it into account under the income calculation. Likewise, capital moneys up to £500 received by a legacy are exempt from income calculations, but any amount in excess of that is included in the income calculation. Now, I referred to this point simply to point out the difference which does affect some cases in both countries, the differences between the procedure in Canada and the procedure in New Zealand. I have given you a couple of examples where New Zealand is more favourable than Canada. This happens to be one example where Canada is more favourable than New Zealand. With respect to these capital income items in Canada, we do not under any circumstances take those into account as income to any extent whatever. We treat all these items as personal property and while we calculate the annuity value of personal property as income we do not take any capital amounts themselves into account in income calculation.

Mr. PICARD: What is the amount of income a pensioner may have as a gift before the pension starts to be affected; what amount is allowed as a gift?

The WITNESS: Are you referring to a lump sum amount there?

Mr. PICARD: Yes, let us say a lump sum of \$150. A case has come to my attention here in Canada where the son of a pensioner in America sent his father in one year—as a matter of fact he sent both his father and his mother \$150 each to permit them to go over to the United States and visit him. Would that be considered as income for that year? The case is still under review and I wondered if you could give me some information on that.

The WITNESS: I can only answer that by saying, of course, that I know that regular contributions from individuals are considered as income; and, secondly, that there is nothing in this list of exempted items which justifies the conclusion that a substantial gift of that kind, if reported, would be exempt from the income calculation.

Mr. FLEMING: I was just wondering in regard to that if there is a distinction between regular income from a son or daughter and occasional gifts. Even though the gift itself may be a comparatively large sum it is not income, it is not regarded as income?

The WITNESS: In Canada?

Mr. FLEMING: Yes.

The WITNESS: The regulation in Canada provides for the exclusion of casual gifts of small value.

Mr. FLEMING: And what do they regard as a casual gift of small value?

The WITNESS: Under the Canadian regulations, as I recall, the wording "up to \$25" was in the regulations up to 1946. Those words were taken out of the regulations in 1946, but I am not prepared to say that they were in all cases taken out of the minds of the administrators.

Well, with the exception, Mr. Chairman, of the items which I have mentioned and one or two others, all income is taken into account in New Zealand, and the total of that amount of income is added together. If it exceeds £78 let us say in the case of a single person, then for every pound of excess over

and above the £78 the amount of maximum benefit is reduced by £1. Apart from the details of different types of income which are included or excluded under the New Zealand scheme, the only significant point of principle that I see in this New Zealand scheme of income calculation is that to a certain extent in New Zealand they do take into account portions of capital income as though it were current income whereas we in Canada, so far as I know, do not under any circumstances take in capital income as current income. We capitalize that on the personal property side and we derive the annuity value of it.

Turning now to the other half of this, the question of property qualifications.

Mr. FLEMING: Before you turn over to that section I have one more question I would like to ask. How long would the effect of treating that capital as income continue, income that will, let us say, carry the recipient over the allowable pension during the year? As I understand it, it will be allowed during the year which it is received, but then when it goes beyond that year there must be something done to restore their pension, must there not? Do they confine the effect of that to the income calculation of the immediate year in each case?

The WITNESS: I am not certain on that point, Mr. Chairman; my impression is that they confine it to the benefit year in which it is received—

Mr. FLEMING: But what if it is not confined to the one year?

The WITNESS: If it is confined to the one year the effect of it would be to put the pensioner off pension completely perhaps for the remainder of the year or to reduce the amount of pension received during the benefit year. Then at the beginning of the new pension year they would recalculate the pension benefit in the terms of the anticipated income the individual was likely to get in the course of the year ahead. There is a provision in the New Zealand legislation which authorizes the Social Security Commission in calculating income for the year ahead to base its estimate on the income from the previous year; but there is also a clause authorizing the Social Security Commission in its discretion to disregard any income received in the previous year which in its opinion is not likely to be repeated in the new year. Now, that is as far as I can go, Mr. Fleming, in giving you any clear answer on that.

I might also tell you this, that in the case of a husband and wife both on pension, as you know property is divided as between the two of them for the purposes of income calculations and arriving at the amount of pension in each case. Now, we find a provision in the New Zealand law which says that if in the case of the death of a husband the property passes on to the wife that does not affect her property calculation during that pension year; and you will find that in our brief at the top of page 11 where it states, "In case the husband or wife dies, the capital value of the accumulated property of the survivor remains the same and does not automatically double." We take that to mean that her pension rate remains the same for the remainder of that pension year, but with the beginning of the new benefit year her property is recalculated on the basis of the additional property which she has inherited from her husband.

Mr. BROOKS: With regard to that £500 which you mentioned as not being entered as income, would not that go on to the next year as property?

The WITNESS: I think that is correct. That is an exemption only with respect to the income calculation. Property inherited by the wife from her husband on the death of the husband, is disregarded completely so far as the income calculation is concerned. The property itself is also disregarded for the remainder of that benefit year so far as the property calculation is concerned

but the next year when you come to calculate the deductions you take into account the property the wife holds including the extra amount inherited from her husband, and then you have to make the appropriate deductions in respect to the increased amount of property which she has received and then holds.

Mr. BROOKS: That is really what I meant.

The WITNESS: And there is no £500 exemption there.

Mr. CANNON: When you were discussing that angle of the Canadian practice, if I remember correctly, you said that any capital amount received by the pensioner would not be considered as current actual income, but would be considered as property and would be calculated as potential income on the basis of a government annuity.

The WITNESS: When I made that statement, Mr. Cannon, I was referring to substantial amounts received such as legacies and things of that kind. I did not at that time have in mind this question of casual gifts of sizeable amounts from a son or daughter.

Mr. CANNON: That would be considered as income, would it?

The WITNESS: Yes, it would, unless of small value.

By the Chairman:

Q. I think you said, Dr. Davidson, that a legacy of £500 would be exempt from income, would not count as income?—A. Yes.

Q. But suppose there is a legacy of £1,000 to a single recipient of pension; as I understand it, he would receive pension for that year but in the following year because that is over £208 he would be cut off; is that what you meant?—A. What I meant is that he would not continue to receive the benefit for the remainder of that benefit year.

Q. Yes.—A. But how much longer he would stay off benefit I am not at the moment is a position to say.

Q. And you do not know how much of it between the £208 and the extra £500 would be added to property in the next benefit year?—A. That, I could not say for certain. My impression is that in the next benefit year he would not be charged with any of the legacy as income, but that he would have it included in the property calculation as additional property.

Q. The £500 would be added to personal property and not to income in that year?—A. I could not answer that for certain. My impression is that the entire legacy less some allowance for living expenses during the months off benefit is added to personal property in the following year.

Q. All right.—A. We will try to get a more authoritative answer for you.

Q. It doesn't matter, I just wanted to get the complete picture of the relationship between income and personal property.

Mr. SHAW: Mr. Chairman, on page 11 there is reference to the disposal of property with a view to qualifying for a pension. In Canada I think we have a provision of five years prior to application which applies and I was wondering whether they have any similar provision in New Zealand.

The WITNESS: If there is evidence at any time under the New Zealand law, and this applies to Canada, that a pensioner deliberately transferred his property for the purpose of establishing his right to pension or establishing his right to a higher pension than that to which he would be otherwise entitled then the sanction is imposed, both in New Zealand and in Canada. But the five-year provision you have in your mind relates to the question of the presumption in the Canadian law. If it is done within the last five years the presumption in our law is that it was disposed of for that purpose, unless there is evidence to refute that assumption. If the property was transferred more than five years ago the presumption is that it was not done for the purposes of qualifying for a

pension unless the pension authority finds evidence that it was done for that purpose. And while I am on that point I might mention the fact that this is a very difficult matter to determine because we have had some cases in which the evidence has shown, not that the property was disposed of for the purpose of getting a larger pension but that the property was disposed of for the purpose of making sure that when the pensioner died recovery from the estate was not going to be possible. In such cases actually the pensioner has stated quite frankly in his application that that was the reason; and cases of that kind are not subject to the two conditions that are imposed under the regulations at the present time.

Mr. BROOKS: Are we on property qualifications now?

The CHAIRMAN: He is coming to that.

The WITNESS: Have you got that straight now, Mr. Shaw?

Mr. SHAW: Yes.

The WITNESS: The committee will remember then that over and above the £78 of allowable income in the case of a single pensioner, he is subject to a deduction of £1 from the pension for every £1 of excess income; likewise in respect to property as defined in New Zealand legislation there is deducted £1 for every £10 of property over and above the allowed amount of £500; so that you in effect allow him £78 of income and £500 worth of accumulated property. The pensioner is allowed that amount of income, £78, under the New Zealand Act without diminution of pension. If his income goes above that you take from the maximum pension at the rate of pound for pound. If his property goes above the £500 limit you take off in addition to the amount you have already taken off, £1 for every £10 of accumulated property over the £500 limit.

It is important therefore to get the relationships of these two deductions. A person may have no income whatsoever, and he can have certain types of property in excess of £500 value and the deductions in that case are therefore applied with respect to the property that he held in excess of £500 even though he has no income to warrant deductions.

Now, there are some important exemptions under the New Zealand scheme so far as the calculation of accumulated property is concerned. And here I would again point out that we must be cautious because while these items are exempt from the calculation of the property it does not follow that any income from these items is exempt from the calculation of income. In the first place, the value of the home and furniture when the home is owned and lived in by the applicant, is not taken into account in the property calculation. If, on the other hand, he derives income from that home it may affect his pension on the income side.

By Mr. MacInnis:

Q. May I ask a question of Dr. Davidson. What is really meant by the expression: "if he acquires an income from a home"? Would that mean that the rent for the home, although he does not get it, would be applied against his income? Would that mean that a certain amount of rent for the home is considered as part of his income? I understand that there is no consideration at all given to the fact, in New Zealand, that it is not in the income?—A. That is correct, Mr. MacInnis. If the individual has a home in which he is living with his wife, let us say, and is getting shelter out of that property but not renting rooms, and is getting no income from it, then that property yields no income and therefore it is not taken into account in the income calculation, and likewise it is not taken into account in the property calculation.

If on the other hand he has exactly the same property but has an apartment on the top floor and he is deriving an income from it, then in respect to the property calculation that home is still not counted for the purpose of calculating

this £500 property limit and there is no reduction on this ratio of one to ten for his ownership of the property. But any income he gets from the property by way of rent is taken into account as part of the £78 of allowable income; and if that puts him over £78 it affects his pension at the rate of £1 for each £1 of excess.

Mr. CROLL: So anyway you look at it, the home is exempt.

By Mr. Cannon:

Q. Even a £5,000 house?—A. It is only when that property becomes revenue producing that it may affect the pension.

By Mr. Croll:

Q. And only to the extent of the revenue?—A. Yes. All personal effects are exempt as they are here; any interest in land or mortgages on land is exempt so far as the £500 property calculation is concerned. But of course revenues derived from these assets are taken into account in the income calculation.

No interest in the cash surrender value of any annuity or life insurance policy is taken into account in the property calculation though the income from certain policies may be included within the limits I have already mentioned on the income side.

By Mr. Fleming:

Q. I do not recall any question being asked or information given last week as to the position of life insurance under the Canadian scheme. So would you care to say a word about that now?—A. Mr. Chairman, under the Canadian Act and regulations, the cash surrender value of life insurance policies is taken into account as personal property. That means that the annuity value of the cash surrender value is calculated as part of the personal property calculation. But that does not apply to all life insurance. That applies only to life insurance policies of the kind which it is possible for the pensioner himself to cash. In other words, if his life insurance is assigned for value or assigned to a beneficiary whose consent is necessary—

Q. Not necessarily assigned, but is in favour of?—A. Yes, in favour of a beneficiary whose consent has to be obtained. Then the pension authority is entitled to regard that as being an asset to which the pensioner has not completely free access; and it is only in respect to life insurance policies, the cash surrender value of which is available to the pensioner without having to get the consent of outside people in the way of signing off—it is only in those cases that the cash surrender value comes into the calculation.

By Mr. MacInnis:

Q. What would be the position of that life insurance policy at the old age pensioner's death with regard to the old age pension authority taking back the value of the pension?—A. I think the answer to your question is a pretty legal one and is tied up with whether or not the provincial laws include life insurance as part of the pensioner's estate, even in cases where the policy is made out in favour of a beneficiary.

There are some provinces where, as I understand it, a life insurance policy made out to a beneficiary is not considered as part of the estate of the deceased. On the other hand I think there are provinces where, if I am right—and Mr. Fleming is looking at me as if I were wrong—

Mr. CROLL: I do not see how you could be right in that.

Mr. FLEMING: You had better stop right there. If the policy in the case which Dr. Davidson has mentioned is payable to a main beneficiary, then the pensioner has not got access to it and there is no deduction made, and it automatically is payable to the beneficiary on his death. There is no problem there at all.

But if the policy were payable to the estate of the beneficiary then obviously upon his death that is capital and it would come under the property clauses which we are dealing with and he would have suffered during his lifetime a diminution of his income to the extent of the annuity value of the cash surrender value.

The CHAIRMAN: So there would not be any trouble for the heirs there.

Mr. FLEMING: No. The two cases are quite simple.

The CHAIRMAN: In either case there would not be any trouble. Are there any other questions with respect to life insurance?

Mr. PICARD: I have only one point and it may have been answered before. Is that non-means test superannuation benefit of £35 added then to the £130 that a man gets?

The CHAIRMAN: No, we will be coming to that a little later, Mr. Picard. We have not yet come to the superannuation benefit part.

Mr. PICARD: But there is an item in the introductory part about it.

The CHAIRMAN: It was explained yesterday by Dr. Davidson.

The WITNESS: In effect, if you get an age benefit you do not get the other. You have one or the other but not both.

The CHAIRMAN: Coming back to something we have already talked about, is there any provision in New Zealand for giving some value to free shelter and free board? We discussed that subject at length when we were on the Canadian scheme, I mean the free board and free shelter which the pensioner may get.

Mr. BENIDICKSON: What is your question, Mr. Chairman?

By the Chairman:

Q. Is there any value attached in New Zealand to free shelter and free board against the income ceiling of the pensioner?—A. Yes, I can give you the principle but not the amount. On page 107 of this book I find this statement: "Income refers not only to all moneys but also to the value of all benefits derived or received by the applicant; and benefits there include the value of board or lodgings on a scale fixed by the commission concerned, property or other payments in kind for services rendered." I cannot specifically tell you what the Social Security Commission in practice does about that.

Q. I am not so much concerned about what they do as I am about the principle which is applied.

By Mr. Benidickson:

Q. And that principle applies notwithstanding the last paragraph on page 9? —A. Oh, yes. That paragraph simply covers the same point that I covered in the discussion of the Canadian program when I said that there used to be provisions in the regulations which provided for the inclusion as income of amounts which might reasonably be expected to be paid by sons or by daughters. But we abolished that imputed income which was not in fact paid, and New Zealand does the same thing. But they calculate the value of free board and lodging which is actually being provided by sons or by daughters.

At the top of page 10 you will see this sentence: "The Social Security Department never attempts to force relatives to assist a claimant for benefits even if they have the means to do so."

That, I think, is essentially the practice which is laid down in our federal Act and regulations. They say that if a son or daughter is actually supporting, it is the duty of the pension authority to find out what the actual contribution is and to ascertain the facts and to make the income deduction accordingly. But if the individual, that is the son or daughter even with means refuses to assist his aged parents, the situation is left at that.

By Mr. MacInnis:

Q. The situation is left there so far as the federal government is concerned. But it is not necessarily left there so far as the provinces are concerned?—
A. That is quite correct.

The CHAIRMAN: Very well, carry on.

The WITNESS: I think, Mr. Chairman, that is about all I have to say about property calculations.

By Mr. Ferrie:

Q. I did not get one point quite clear. A statement was made here a few minutes ago I think about a \$5,000 house and that all that was taken out of that \$5,000 house, if they were living in it, was, if they rented a portion of the house, the rent would be taken as part of their income?—A. Yes.

Q. Now you go on and say that they are assessed for any place that they live in and that it is immaterial what the kind of board and lodging is.—A. No. If they are living for example in a home of a son or a daughter and the son or daughter is providing them with free board or lodging, then the social security commission calculates the value of that free board and lodging at whatever amount they think is appropriate and charge it as income. But if the pensioner owns a property in which he lives himself, that property is not taken into account either in the property calculation or in the income calculation unless there is income actually being derived from that property by way of rentals. In this respect, the New Zealand law is exactly the same as our War Veterans' Allowances Act, where a property up to \$4,000 in which the applicant is living is not taken into account at all.

Q. But a lien would be automatically filed against that property before the death, or when they receive the pension?—A. You are talking about Canada now?

Q. No, I am talking about New Zealand.—A. I have not run across anything which suggests that it is the practice of the New Zealand government to file liens against property. These means test pensions in New Zealand are paid, after all out of a fund built up from social security tax contributions in large part.

By Mr. Croll:

Q. It is not our practice as a federal government, but some provinces have set that up as their practice.—A. That is right.

Mr. MACINNIS: This government does not deal in property.

By the Chairman:

Q. Now, doctor, you said that the reduction in pension for personal property over £500 would be £1 for each £10?—A. That is right.

Q. Which at the age of 65 would work out to 10 per cent?—A. That is right.

Q. Then it is a rate which is higher than the annuity rate at age 65?—
A. That is correct, but there is an example of £500.

Mr. CROLL: I do not follow your question, Mr. Chairman.

The CHAIRMAN: Suppose we had in Canada that same case. The first \$250 would be exempt. I was pointing out that the reduction from the pension or income ceiling on an annuity basis is more generous than the 10 per cent basis, because the annuity percentage is less than 10 per cent for age 65.—A. The difference you mention is due to the fact that we in Canada calculate the value of personal property for income purposes on the age basis which means that

there is some allowance for a younger wife. It is not very great I will admit, but there is a difference in the value of the annuity calculation if the wife is considerably younger.

New Zealand, while it has a higher exemption on property takes the one to ten ratio for property both in respect to the wife and in respect to the husband regardless of their age.

It would be very difficult to give any assessment as to which one is in the long run more or less generous. But the point is that they operate on different principles, and having said that, and having explained it, that is about as far as you can go.

Q. But I meant if we had a \$1,500 exemption here before making any reduction from income, it would not necessarily be more generous than under the annuity basis?—A. That is difficult to say.

Q. I assume that the exemption level would be the same, and that the age would be the same.

Mr. PICARD: It is a very fine point.

The CHAIRMAN: But I believe the members are entitled to a clear picture of what our system is, and what other systems are in order to make a comparison between them.

By Mr. MacInnis:

Q. I thought the witness was giving us a fairly clear picture.—A. I have, I think, no more comments to make, Mr. Chairman, on the way in which income and property qualifications are calculated except that I think again the significant point is that the mere reading of the list of exemptions has to be taken rather cautiously because the list of exemptions as they affect income may not apply to property. The list of exemptions as they affect property may not in all cases affect income and it is well to keep that in mind in reading over any list of exemptions under the income and property qualifications.

For members who are interested in seeing how this works out in actual practice, a number of examples are given in appendices 2, 3 and 5 and perhaps I had better refer the members to the table in appendix 2, in order to take one example and show how it works out.

Supposing you have a man, a single man, who has an allowable income after you have made all these exemptions on the income side of £80 a year. He is allowed £78 without any diminution of his pension. But the fact that he has up to £80 on the income side diminishes his pension by the extra £2 under that calculation, which reduces it to £128 a year.

Supposing at the same time that man has property valued at, let us say £1,200. You then take the £128, which was the result of your first calculation, and deduct the amount of £70 which is the assessment in respect to property, —10 per cent of the property value in excess of £500 and the result is £58 which is the amount of pension which is actually payable.

By Hon. Mr. Farquhar:

Q. Do I understand you to say it is the policy of some of the provinces to file liens against the property of the pensioner? Is that the policy of the province of Ontario?—A. The law in the province of Ontario does include a provision respecting the filing of liens; I mean the provincial law.

Q. Has it been put into force?—A. Yes, but I should say that the lien as it is filed is in fact a precautionary lien designed essentially to ensure that the pensioner does not dispose of his real property without the knowledge of the pension authority.

Q. Is it put into effect by the government?—A. In a very very small percentage of cases. If you will look back to the discussion we had on this subject in the earlier days of the committee you will see that the amount of money

actually recovered by way of collection from estates of deceased pensioners in the last year for all of Canada was one-half of one per cent of the total money paid out in the year. You will find that the federal Act provides for certain situations in which recoveries cannot be made from estates, if the property passes to a surviving wife, for example, who is on pension or if it passes to anyone who has contributed to the support of the pensioner over a reasonable period of time.

Furthermore the federal government has authorized the provincial pension authorities, in their discretion, to waive any claim against any estate which is under \$2,000, or with respect to the first \$2,000 of any estate in excess of \$2,000. So there is a wide area there in which while a lien may be filed as a precautionary lien, the pension authority even in a province which follows this practice does not ultimately attempt to recover from the estate.

Q. Thank you.

By Mr. Brown:

Q. In the illustration which you give, if a property is valued at £1,800 roughly, that would be about \$5,000, would it not?—A. \$5,500 in Canadian currency.

Q. Yes, \$5,500; and let us assume that that \$5,500 would be in the form of an ordinary house. You would have £130 deducted according to your table here.—A. That is right, unless it is the pensioner's home.

Q. And he has an allowable income of £278, as a single man. He has, as your illustration shows, an allowable income of £78, and he makes £80, so he has £2 to be deducted from his age benefits. He would get no pension at all?—A. I would point out that under the property qualifications there is an exemption in the case of a home, or land or mortgages on land; so this would have to be a property that was not being used as a home and which was not itself land or mortgages on land. It might be an office building or it might be another property which the pensioner was holding for investment purposes with a house on it; or it might be liquid assets in terms of cash in the bank or investments. If it were that kind of property, then your calculation would be correct.

Q. Or it might be a property which he was holding for the benefit of an aged brother and his family?—A. I'd like to think about that one.

Q. We are getting rather complicated.—A. If there are no other questions in respect to income and property qualifications, I think I can, perhaps, very quickly conclude by simply referring to the residence and character qualifications under the Age Benefit programme.

I must say that I do not think it is necessary, unless the committee wishes me to do so, to go any further into superannuation benefits because I found in reading the material last night that I had dealt with it pretty well yesterday.

Mr. CROLL: I do not think that character qualifications are of concern to us either. We are satisfied to that extent that we have a much better system than they have.

By the Chairman:

Q. What about residence?—A. The residence clause can be stated simply by saying that if a person was resident in New Zealand on March 15, 1938 when Social Security was passed, he would have age or superannuation benefits on the basis of ten years of residence with certain permissible absences allowed in that period.

But if he was not resident in New Zealand on March 15, 1938, he would qualify on the basis of 20 years of residence with certain allowable absences during that period. I do not think the details of the allowable absences are particularly important. The details of that are given in the appendix at the back of this document.

By Mr. Knowles:

Q. With respect to character qualifications, perhaps you answered with respect to this yesterday; but have you any figures as to the number who have been rejected because of lack of good character?—A. No, sir, I have not.

Q. You gave a figure of the total rejections, I think.—A. I gave a figure yesterday of the number of persons 65 years of age or over who were not on either age benefits or superannuation benefits.

Q. And it was not a very large figure?—A. It was less than 1000. And I pointed out earlier in the afternoon that I had erred yesterday in stating that character qualifications were required in connection with superannuation benefits. They are required only in connection with age benefits on the means test basis.

By Mr. Croll:

Q. Once you have contributed, your character does not count?—A. No. You contribute, and, even so, if you are on age benefit, your character does count. But if you are in an income bracket which permits you to get by on a superannuation benefit, then your character does not count.

By Mr. Brown:

Q. Who determines what a man's character is? Is it a politician or a government official?—A. The official authority is the social service commission which administers the legislation.

Q. What is that again, please.—A. I said that the official authority is the social security commission which administers the legislation.

Q. In other words, they are government appointees, so that answer is "yes".—A. People like myself.

By Mr. Croll:

Q. Have any of the people from your department visited Australia and New Zealand at any time and had an opportunity to look at the systems in the field.—A. No, sir.

The CHAIRMAN: Would you like to go, Mr. Croll?

Mr. CROLL: I am sorry.

Mr. BROOKS: On page 13 "Age-benefits for Blind Persons". I do not understand the last sentence in that paragraph which says: ".....if the applicant had been eligible for an invalid's benefit."

How does the invalid benefit compare with the blind benefit?

Mr. MACINNIS: I think they are the same.

The WITNESS: Yes, they are the same.

By Mr. Croll:

Q. Starting at age 16?—A. In the case of the blind, I find that just as in Canada there is a slightly higher income limit in the New Zealand scheme, but I am not familiar with it in detail.

By Mr. Benedickson:

Q. What was the commencing age?—A. For invalid benefits, 16.

Q. And for the blind?—A. The same.

By Mr. Brooks:

Q. Would that not be because they receive other benefits up to the age of 16?—A. Family allowances.

Mr. FERRIE: Are we finished with New Zealand, Mr. Chairman?

The CHAIRMAN: I was just about to ask if anybody else had any other questions on New Zealand.

By Mr. Smith:

Q. I wonder if Dr. Davidson would care to comment on the table which is on page 36, where the rate per annum starts out for 1940 at £10 and increases. Is that for some typical income or have you just chosen some income?—A. No. This universal superannuation chart, Dr. Smith, on page 36 refers to the universal superannuation benefits that are payable at age 65 to everyone with the residence qualifications I have just described, and without a means test. In 1940 they started out at £10 per year. And in 1941 they went up to £12/10/—. And you will see the break at 1950, where it is now £35/—per annum, which is roughly just a little under £3 a month, and it is provided under the law that that goes up each year by £2 10s annually until in 1988, if there are no changes made in the meantime, the superannuation benefit payable to everyone over sixty-five without a means test will be £130.

Mr. SMITH: I thought that referred to rates of pension under the means test.

Mr. KNOWLES: What provision is there that there is going to be this £2 10s rise in the rates until the maximum is reached? Is the maximum set out in the Act?

The WITNESS: I would have to check that against the law itself, Mr. Knowles. My impression was that there was a schedule in the Act which sets out the years and the amounts.

Mr. LAING: Mr. Chairman, I would like to get some information from Dr. Davidson as to the relationship which exists between recipients of benefits under the superannuation scheme and age benefits. There is reference on page 16 to the fact that against certain advantages must be set certain inadequacies, and also to the fact that because of the low benefits provided from the inception of the scheme many people have been forced to participate in the means test program and that it will be many years before the universal superannuation benefit will provide adequate income maintenance for the aged. There is also mention there of the ultimate merging of these two schemes. I wonder if you would care to deal with that again before we leave this feature of it?

The WITNESS: As I think I said yesterday, Mr. Chairman, the superannuation benefit operates as from age sixty-five in conjunction with a means test benefit for aged persons as from age sixty, and if you will refer to the table I just mentioned in answer to Mr. Smith's question you can see how much a person sixty-five years of age or over is entitled to receive as a superannuation payment free of any means test. This year for example any person sixty-five can apply for a superannuation payment and get a pension amounting to £35 a year; now, if he has means and if he does not feel that he needs any more benefit than that, that he can get by on that, that he does not want to subject himself to a means test, that is the end of it. If, however, he has very little income and is on the poverty line he may feel, "Well, I need more than this, my property and income qualifications are such that I might probably qualify for a larger means test pension, up to £130 maximum pension payable under the means test. Therefore I will apply for a means test benefit." But if he applies for a means test benefit and he is tested and it is found that he is entitled to more than £35 a year under the means test program, at that point he is withdrawn from benefit so far as the universal superannuation payment is concerned and he draws his entire pension of up to £130 a year under the means test program. He does not get his superannuation benefit of £35 a year and draws a supplementary means test benefit over and above that. Each year as the level rises the universal

superannuation benefit increases. There are of course each year additional numbers of people who will find themselves content with the annually increasing superannuation benefit grant at any given time; or else even if discontent they will find that they cannot qualify for anything more than that under the means test benefits. Therefore gradually year by year you will find the numbers of persons on universal superannuation rising, and at a certain point somewhere along the way you will find the numbers of persons on old age benefits declining, at least in so far as persons sixty-five years of age and over are concerned. And undoubtedly in 1988, if there are no changes in the present legislation everyone over sixty-five will be automatically entitled to £130 a year, but none of these persons over sixty-five will be entitled to any supplementation under a means test age benefit. To all intents and purposes therefore the age benefit will disappear in 1988 in so far as people over sixty-five are concerned; but it will remain in effect for the group between sixty and sixty-four. Now, every time you move a person over from the means test benefit to a superannuation benefit the assumption is that the person moves because he is just as well off and perhaps better off under the superannuation benefit; so that it can be assumed that as this shift goes on from year to year, the paying of fixed amounts of pension to the sixty-five and over group as contrasted to the means test pension will result in the cost going up somewhat. The cost will go up in terms of the amount of benefit, and the costs will also go up in terms of increases in the number of persons over age sixty-five on superannuation benefit; and while the cost of the age benefit will decline it will not decline proportionately for two reasons; one, because the superannuation benefit will on the whole in each individual case be larger than the means test benefit which it replaces; and, two, because by this time the population sixty to sixty-four will also be increasing, therefore you will have a larger number of means test pensioners under the sixty-five year level.

All that means that the full cost of the combined old age security program in New Zealand is not yet determinable. Of course, that applies to any scheme that you have in any country. There are some factors leading to the steady increase in the cost in New Zealand which are common to all countries; increase in population is one of them; so therefore I can see no difference in the terms of projecting the cost in New Zealand as contrasted with projecting the cost in Canada in so far as factors of that kind are concerned.

But the significant thing in the New Zealand scheme, and one to which I made reference yesterday, was the number of factors in the New Zealand program all of which lead to increasing the cost. Now, those factors include the increasing number over age sixty-five; another factor is the increasing number between ages sixty and sixty-four; and then there is the factor of the guaranteed increase in universal superannuation benefits.

MR. BENIDICKSON: Just a moment there, Dr. Davidson, would you mind explaining what you mean by guaranteed benefits?

THE WITNESS: Well, Mr. Benidickson, they are guaranteed by law at the rate of £2 10s a year with respect to the universal superannuation benefit from now up to the year 1988.

MR. BENIDICKSON: What is the obligation there in connection with that guarantee? Is that really a guarantee, or is it something which they hope to achieve in the development of their scheme? Would it not be fairer to use the term "predicted" there instead of "guaranteed"?

THE WITNESS: Well you see, there is a difference. The distinction I am trying to make there as between prediction and guarantee is that in the case of new Zealand this is written into their law. They provide in their legislation for an increase year by year until by 1988 the amount provided in the universal superannuation benefit scheme under that law will be the maximum of the

present age benefit, in other words £130, and that objective will be reached in 1988. Now, the significant thing about the New Zealand picture is that they write there definite annual increases into the law. In other systems where they provide for an increase in the amount of benefit they usually set up some sort of reserve. In the U.S.A. for example they provide by legislation for the building up through periodical contributions of a reserve which will take care of these future increases in benefit. In the case of New Zealand the rate remains fixed so far as the contribution base is concerned, a flat $7\frac{1}{2}$ per cent of all income. The terms are written into the act, and the only variable factors on the income side are two; one, there is a variable factor that relates to the increasing productivity of the country, the increase in national income, and the consequent increase in revenue to be derived from their 7.5 per cent social security tax; and, secondly, we must recognize as another variable the fact that it is presumably necessary for the government to make provision from the consolidated revenue fund to keep their social security at all times solvent.

Mr. BROOKS: Do you not think that their system is better than Australia, that is in respect to making provision for the 7.5 per cent tax from the outset and carrying it right on through and in that way establishing a larger fund?

The WITNESS: I think, Mr. Brooks, that the reason for Australia exempting the £104 a year is not only to be found in terms of revenue, but also in terms of administrative convenience. The amount of money that you get from going down to the first dollar, even in respect to people whose income is below the level provided in Australia, is significant but so also is the amount of administrative difficulty that is involved in going down that far, especially in the case of the self-employed.

Mr. SMITH: I wonder if Dr. Davidson has any information as to the number of people who are getting pensions under the means test benefit and who have paid or failed to pay their social security contributions?

The WITNESS: I have no information at all on that, Dr. Smith; but I am reasonably satisfied that the New Zealand authorities themselves would have no detailed information on that because this social security structure is not based on any necessary relationship between the payment of benefits and the number of contributions that have been paid; rather it is based on the assumption that in the course of a man's lifetime the tax collector would have reached him for the purpose of his social security contribution and therefore it can be assumed that he has discharged his obligations under the law and so is entitled to the benefit. I think I am safe in saying that. There was at one time a provision in their Social Security Act which made it possible for the Social Security Commission in certain circumstances where the individual concerned had not complied with the contribution provisions to penalize that individual by refusing him benefits. There are also, of course, provisions in the law in relation to the collection of taxes which make it possible for the tax collecting authorities to prosecute an individual who should have paid his contribution and who had failed to do so.

Mr. KNOWLES: Would there not be the same difficulty of handling that in New Zealand as we have here? There is no necessary relationship between the number of people who draw benefits and those who pay income tax. You take here in Canada, there is no relationship between income tax and family allowances, except for the deductions made with respect to children eligible for family allowance when paying income tax.

The WITNESS: I think there is a closer relationship than that in the New Zealand law, Mr. Knowles. The New Zealand law is predicated on the assumption that you pay the tax if you are subject to the tax, and theoretically a prerequisite to eligibility is payment of the contribution; and while that is not applied or enforced or tested in each case, that is the underlying assumption

or base on which the system is set up. In this country we have the two examples which you have cited, family allowance legislation and the income tax legislation, and a connecting link between them exists in so far as the exemption for children in respect of family allowances is concerned. But the connection in New Zealand between the social security tax and age or superannuation benefits is closer, in my view, than the connection here in Canada between family allowances and income tax.

MR. FERRIE: Do you like that, the way the system they have over there operates?

THE WITNESS: I think it all depends, Mr. Ferrie, on what you want to accomplish. I will answer that by asking a question which I think is something the committee should perhaps keep in mind rather than try to deal with it right now. Does the idea of a means test free pension starting at an admittedly inadequate amount and going up gradually over a period of years with the ultimate objective of a full means test free pension,—does that kind of gradual approach commend itself to the committee? Pretty clearly the reason why that approach was followed in New Zealand was that they did not feel they could face up financially to the cost of starting a full universal means test free superannuation benefit right at the beginning. They could not afford, as they saw it, the cost of doing that all at once. They had their choice as to how they would cut down that financial commitment, but actually they had to choose. Now that choice is a matter of policy. Having in mind their ultimate financial capacity as they saw it they chose this gradual approach under which they would start out with a means test free pension of a nominal amount and supplement it where necessary, gradually building up to the eventual maximum which they hoped to reach, and which they express their intention of reaching by writing the schedule of increases into their act.

I do not know whether this committee's concept of a pension scheme centres around the concept of a universal scheme or contributory scheme which excludes certain people; a scheme based on late years of retirement or early years of retirement; a scheme based on a means test free pension in 1988; or what the central core of the committee's thought will be. But I do think that the committee will at some point have to begin to make a choice as to the direction in which it wants to go, just as New Zealand did. I am sure everybody would like this committee to pay a pension of an unstated generous amount to everyone at an unstated early age. But in terms of cost implications of any program you have to assess what you think the expense will be that the country can stand and then begin to make your choice as to where you are going to start in terms of age, and what you are going to do in terms of pension, and what you are going to do in terms of the abolition of the means test, as New Zealand has done to a considerable extent, developing their scheme gradually over a period of years. Now, that is a choice which I think the committee will have to make and I am satisfied that they will be faced with making some of these choices within the reasonably near future. But the fact remains whatever kind of system you devise, whether it be contributory or whether it be social security tax supported; whether it be paid out of consolidated revenue income or in any other way, the fact remains that the scheme in the final analysis will have to be thought of in terms of the total financial cost involved. Whatever scheme you devise for financing the cost, it will still cost \$300,000,000 odd for the country to pay old age pensions on the present basis free of means tests. Whether you finance that through a contributory insurance program or through a social security tax or pay it out of consolidated revenue, the cost is still going to be the same in dollars and cents.

MR. FERRIE: That is a point that I want to get on to right now, the picture of what this thing is going to cost.

The CHAIRMAN: Now, Mr. Ferrie, I thought you said that we were losing our time in studying what these other countries are doing.

Mr. FERRIE: So far as I am concerned it is lost. This is the question I am going to put now, Mr. Chairman, and this is the one which I think is most important, more important than anything else. After listening to the full explanation we have had this is the question which gives me more concern than anything else. Where do we stand now in regard to the steps manufacturers and other agencies all over Canada have taken with regard to providing pensions for their employees? If we go ahead with a set-up of our own where do we stand with respect to them. I want to say to Dr. Davidson that it is the man in the country who is going to have to pay. Why, right now, we have the Canadian National Railways and other large organizations giving very earnest and serious consideration to this whole matter of pension benefit. Now, I ask you this, who is going to pay for it all? Well, I can answer that question for you, it is going to be the primary producer. There is the ordinary man of business, the small businessman and the farmer who cannot come into this thing at all, there is no way of getting him in, but he has got to do the paying. And, also, we have got to do something as I see it for the farmer as well as the small businessman, for all those who cannot come into this thing at all. But the manufacturers and similar big business institutions are going to go ahead on their own and we are not going to stop them, nobody is going to stop them, and as I see it they are going to do that within the next two or three years in spite of everything we can do. It is the primary producer who is the man who is going to pay for this thing, and we have got to find some way of carrying those benefits down to him.

The CHAIRMAN: Well, Mr. Ferrie, it was for that purpose that this committee was set up.

Mr. FERRIE: Sure.

The CHAIRMAN: You have put your finger on the problem which the committee has before it to solve, and in order for us to be able to deal with it the logical thing for us to do is to make a study of what is being done in other countries to solve the same problem, and it will be of particular interest to us to find out what the United States are doing. When we consider that country we will be getting closer to a solution of the problem which you have just outlined. I therefore suggest to you that discussion of this kind should be reserved until we have completed our study of all possible angles of application and all possible solutions, and then we will try to get together in a friendly way, and I hope without any political difficulties, to arrive at a solution of the problem which faces our country.

Mr. MACINNIS: Whatever the results of the deliberations of this committee may be I am sure of one thing and that is that the people of Canada know very well that they are going to pay for what they get and anyone who does not know that will soon find it out.

The CHAIRMAN: You are right there.

Mr. MACINNIS: Our position is a little different from that of New Zealand in that we have to take into consideration not only the ability of the country to pay, to finance the scheme, speaking federally, but we also have to consider the ability of the provinces to finance their share of it. That is all I want to say.

The CHAIRMAN: Yes, of course, we will have to consider that and that would be one of our major problems.

Mr. LAING: But we will hear about all of these things in an orderly fashion, I hope.

The CHAIRMAN: Of course, yes.

Mr. BENIDICKSON: I think, Mr. Chairman, we ought to have an opportunity of discussing section 4, financing the program, which will be found on page 17. Are we going to go into that?

The CHAIRMAN: I believe we did study that very thoroughly yesterday, Mr. Benidickson.

Mr. BENIDICKSON: I was absent from the committee and I just wanted to ask about that because I had a few questions to put on that section.

The CHAIRMAN: I believe we went into that quite thoroughly yesterday.

Mr. SMITH: Are we going to get any information as to the other pension schemes in operation in Australia and New Zealand?

The WITNESS: We will try to get that for you, Dr. Smith. I might say that about all we can do is to ask for information in that regard from the offices of the high commissioners here at Ottawa.

Mr. SMITH: I should think that would be enough.

The CHAIRMAN: All right then, gentlemen, we will meet tomorrow morning at 11 o'clock in room 497, and then we will study the schemes in operation in Sweden and Denmark. I might say that in the opinion of Dr. Davidson one meeting should be sufficient to deal with both of them. If we are able to do that it would mean that we would not need to sit on Friday. Then, on Monday we will go ahead with the memorandum on the United States which I understand will be ready at that time.

The committee adjourned to meet again tomorrow, April 27th, at 11 a.m.

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- Senate and the House of Commons, 1950

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JOINT COMMITTEE OF THE SENATE
AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

THURSDAY, APRIL 27, 1950

WITNESS

Mr. J. W. Willard, Director of Research, Department of National Health
and Welfare.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.B.L.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950



ORDER OF REFERENCE

*Extract from the Minutes of Proceedings of the Senate
for Wednesday, 27th April, 1950*

With leave of the Senate, and—

On motion of the Honourable Senator Robertson, it was—

Ordered, That the name of the Honourable Senator Fogo be substituted for that of the Honourable Senator Stevenson on the list of Senators appointed to serve on the Joint Committee of both Houses of Parliament on Old Age Security, and—

That a Message be sent to the House of Commons accordingly.

L. C. MOYER,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, April 27, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 11.00 a.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Also present:

The Senate: Honourable Senators Burke, Farquhar, Fogo, Ferland, Hurtubise, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brooks, Brown (*Essex West*), Cannon, Corry, Cote (*Verdun-La Salle*), Croll, Ferrie, Fleming, Homuth, Knowles, Laing, MacInnis, Picard, Pinard, Richard (*Gloucester*), Robertson, Shaw, Smith (*Queens-Shelburne*), Weaver, Welbourn.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare, and Mr. J. W. Willard, Director of Research, Department of National Health and Welfare.

Mr. Willard was recalled. He presented a memorandum on the Old Age Income Security Program in Denmark. It was ordered that the memorandum be taken as read and printed in this day's Minutes of Evidence.

Examination of Mr. Willard on the said memorandum followed.

Mr. Willard then submitted a similar statement relating to Sweden which was also taken as read and appears in this day's Minutes of Evidence.

The witness was further examined.

In the course of proceedings Senator King was active Chairman for a time during the absence of Mr. Lesage.

At 1.00 p.m., witness retired and the Committee adjourned to meet again on Tuesday, May 2, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
April 27, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 11 a.m. Hon. J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. Lesage, presided.

The CHAIRMAN: Gentlemen, we have a quorum.

Last night members received statements relating to Denmark and Sweden, and it seemed to be the general feeling that we could deal with both these statements at one sitting, so if we were to divide the time and devote one hour to each that would enable us to get through. Is that agreeable?

Some Hon. MEMBERS: Agreed.

Mr. FLEMING: We might want to spend a little longer on Denmark than we do on Sweden. I suppose the brief will be printed.

The CHAIRMAN: Well, I am in the hands of the committee.

Mr. FLEMING: We might proceed with Denmark until 12 o'clock and then go on with Sweden.

The CHAIRMAN: That was my suggestion. Mr. Willard suggests that he will just give us a resume as to the situation in Denmark, and then after he has gone through the memorandum questions can be asked on the whole scheme, and then we will do the same for Sweden. Is that agreeable to members of the committee?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: And I would suggest that at this point the brief with regard to Denmark be entered in the record, and then when we come to Sweden the brief on that country will be put in at the proper point.

OLD AGE INCOME SECURITY PROGRAMS

DENMARK

RESEARCH DIVISION DEPARTMENT OF NATIONAL HEALTH AND WELFARE

Ottawa, March, 1950

TABLE OF CONTENTS

I. INTRODUCTION

A hitherto untried method of income maintenance for the aged was adopted by Denmark in 1891 through the introduction of a national, non-contributory old age pension program. Prior to that time, the income maintenance program for the aged in Denmark, and in most other countries, was limited to the provision of poor relief through local authorities; the one exception was Germany where a system of compulsory and subsidized saving against old age had been developed. The non-contributory pension scheme that was introduced in Denmark was conceived as a means of minimizing the stigma associated with assistance through poor relief, by providing pensions as a matter of right to all needy aged.

By the social reform of 1933, Denmark's old age pension scheme was integrated, without changing its non-contributory basis, into a comprehensive social security system under a single government department, the Ministry of Social Affairs. Other income maintenance programs included in the system were: invalidity insurance, sickness and maternity insurance, workmen's compensation and public assistance.

The old age pension scheme now operating, a means test program, is governed by the National Insurance Act of 1933, as subsequently amended. Pensions are provided to eligible males 65 or over and to females age 60 or over. The pensions provided consist of three parts: basic pensions, which are payable on a means test to all citizens who meet certain primary qualifications concerning age, character, and membership status with respect to the national sickness insurance program; supplementary pensions, payable to pensioners meeting additional qualifications respecting age, dependent children or deferment of pension applications; and special supplements, payable to pensioners under special circumstances. The present pension scheme is financed entirely from public revenue derived from general taxation at the national and local levels.

The old age pension scheme is closely related to the scheme providing invalidity pensions, the same basic rates being paid for both. Medical and hospital care for both age and invalidity pensioners is available under the national sickness insurance program. Under the Public Assistance Act, local authorities are responsible for the provision of medical and hospital benefits to pensioners ineligible for benefits under the health insurance program.

In 1947 there were 212,000 persons, or 40.5 per cent of the total population age 60 years and over, in receipt of old age pensions.⁽¹⁾

II. OLD AGE PENSIONS

Basic old age pensions are payable to males 65 years or over and to females 60 years or over, who are Danish citizens, are of "good" character as defined under the pension act, and are contributing members of the national sickness insurance scheme.

Pensions are paid at full or reduced rates depending on the income of recipients as assessed under the Act. The pensions also vary according to marital status and domicile, the latter adjustment being effected by different pension rates, based on the cost of living, being set for Copenhagen, provincial towns, and for rural districts. In 1947, approximately 185,000 old age pensioners, or about 87 per cent of the total number of old age pensioners, received full basic pensions. In the same year about 26,500 pensioners or 13.5 per cent of the total number of old age pensioners received reduced basic pensions.

⁽¹⁾ Orla Jensen, *Social Services in Denmark*, Copenhagen, 1948, p. 56.

1. INCOME QUALIFICATIONS

To receive the full basic pensions shown in Table I following, the annual income of pensioners, after deduction of general income tax and health insurance contributions, must not be in excess of 50 per cent of the full basic pension. For pensioners whose incomes are in excess of 50 per cent of the full basic pension the pension is reduced by 60 per cent of the first 500 crowns ⁽¹⁾ in excess of the maximum income allowed for a full pension, and by the full amount of any income in excess of the first 500 crowns. In addition, if the applicant receives a pension from state or local authorities, a further reduction of 20 per cent of the amount by which the pension exceeds the basic old age pension is made. In cases where a person's excess income exceeds a certain specified limit (believed to be an amount that results in the basic pension being reduced to less than one-twelfth of the full amount), the pension may be withdrawn.

Table I following shows the full basic pension rates for the three cost of living areas in 1949.

TABLE I

FULL BASIC PENSION RATES BY COST OF LIVING AREAS AND MARITAL STATUS, 1949

Marital Status and Cost of Living Area	Full Basic Pension
	(Crowns)
Married Couple, both eligible—	
Copenhagen.....	2,496
Provincial Towns.....	2,196
Rural Districts.....	1,848
Single Pensioners—	
Copenhagen.....	1,668
Provincial Towns.....	1,464
Rural Districts.....	1,236

Source: Federal Security Agency, Bureau Report No. 16, Washington, 1949, p. 24.

In assessing the income in excess of the maximum allowed for a full basic pension, 430 crowns or one third of the annual amount received from private pensions, annuities, or other such sources, whichever is greater, is disregarded, up to a maximum of 880 crowns. In assessing income from bequest or other more regular support, 220 crowns or one third of this income, whichever is greater, is disregarded, up to a maximum of 430 crowns.

2. SUPPLEMENTARY PENSIONS

The pension scheme provides that the basic pensions may be increased by supplementary allowances. These supplements consist of four types, deferred application supplements, dependent children supplements, age supplements and special supplements.

(a) *Deferred Application Supplements.* These supplements are available to persons who do not apply for old age pensions at the pensionable age but wait until some later time. For persons who do not apply for a pension until they are between the ages of 67 and 70, the supplement amounts to five per cent of the basic old age pension; for persons waiting until age 70 or over, the supplement is equal to 10 per cent of the basic pension.

(b) *Dependent Children Supplements.* Pensioners who maintain children under the age of 15 are eligible for an annual allowance.

(1) The rate of exchange, as of April 1950, was 1 Danish crown equals 16.03 Canadian cents.

(c) *Age Supplements.* Pensioners who are age 80 or more are eligible for an annual age supplement of eight per cent of the basic pension payable to single persons.

(d) *Special Supplements.* Where special circumstances warrant it, basic pensions may be increased for fuel, clothing and personal needs. The total amount that may be paid annually in the form of special supplements is limited by regulation to not more than 15 per cent of the basic pension.

The amounts of the supplements payable in 1949 were as shown in Table II following.

TABLE II
SUPPLEMENT RATES BY COST OF LIVING AREAS AND MARITAL STATUS, 1949

Type of Supplement	Amounts by Cost of Living Areas					
	Copenhagen		Provincial Towns		Rural Areas	
	Married couple	Single pensioner	Married couple	Single pensioner	Married couple	Single pensioner
	(Crowns)	(Crowns)	(Crowns)	(Crowns)	(Crowns)	(Crowns)
Fuel.....	112	112	110	110	110	110
Clothing.....	277	139	244	122	205	103
Pension.....	192	120	168	108	132	96
Dependent Children.....	420		360		312	

Source: Federal Security Agency, Bureau Report No. 16, Washington, 1949, p. 24.

3. MAXIMUM OLD AGE PENSION RATES

The maximum amounts of old age pensions, that is, full basic pensions plus the supplementary allowances, paid in 1949 were as indicated in Table III following. Some idea of the relationship between the maximum pension rates and wage levels may be obtained from the fact that in 1944 the maximum pension payable to a single pensioner in Copenhagen was equal to about 25 per cent of the annual wages of an unskilled male worker in full employment, and to about 33 per cent of the annual wages of an unskilled female worker. (1)

TABLE III
MAXIMUM PENSION RATES (BASIC PLUS SUPPLEMENTARY AMOUNTS) BY COST OF LIVING AREAS AND MARITAL STATUS, 1949

Marital Status	Maximum Old Age Pension Rates by Cost of Living Areas		
	Copenhagen	Provincial Towns	Rural Districts
	(Crowns)	(Crowns)	(Crowns)
Married Couples, both eligible.....	3,497	3,078	2,607
Single, Pensioners.....	2,039	1,804	1,545

Source: Federal Security Agency, Bureau Report No. 16, Washington, 1949, p. 24.

4. SUBSTITUTION OF CARE FOR PENSIONS

Maintenance in a home for the aged may, if preferable, be substituted for a cash pension. Pensioners maintained in such homes must relinquish that amount of their annual income which is in excess of the specified income limit for their area of residence. In 1948, there were 510 public homes for the aged

(1) *Social Denmark*, Social Tidsskrift Copenhagen, 1947, p. 66.

with accommodation for approximately 13,000 persons, while in the same year it was estimated, that private institutions had accommodation for another 4,000. The great majority of persons in these homes were old age pensioners.⁽¹⁾

III. FINANCING

Old age pensions in Denmark are financed entirely by public revenue raised through general taxation at the national and local levels. The National Government pays $\frac{1}{4}$ of the total cost while the local government pay $\frac{3}{4}$. Responsibility for pension payments lies with the local governments, with the National Government refunding part of the cost. The National Government's share of the cost is authorized annually under a separate act (The Finance Act). The cost at the local level of government is distributed among the individual communes (called communes-of-residence) and all the communes in the country. The formula for the division of cost is such that the communes-of-residence and the communes collectively pay $\frac{1}{3}$ of $\frac{2}{3}$, respectively, of the total cost at the local level.

In 1945-46, the latest year for which information is available, the total expenditure on old age pensions was 256 million crowns, of which the National Government paid about 146.3 million crowns and the local government about 109.7 million crowns.⁽¹⁾ Unfortunately, information on the total social security expenditure in Denmark in 1945-46 is not available and, therefore, it is not possible to indicate what percentage of the total expenditure on income maintenance schemes was expended on old age pensions for that year. This information is available for 1943, however, and in that year out of a total expenditure of 564.6 million crowns on income maintenance programs approximately 206 million crowns or 36.5 per cent of this total was expended on old age pensions. The National Government contributed 113.5 million crowns or 55.1 per cent of the total cost for pensions that year and the local governments contributed 92.5 million crowns or 44.9 per cent.

IV. ADMINISTRATION

1. AT THE NATIONAL LEVEL

Responsibility for the administration of the old age pension scheme at the national level rests with the Ministry of Social Affairs, one of the departments of state within the central government.

2. AT THE LOCAL LEVEL

Social committees chosen by the communal governments administer the scheme at the local level. These committees, after receiving pension applications and determining the appropriate rate of benefit, make the pension payments in accordance with the regulations of the National Insurance Act. In addition, the social committees are charged with the readjustment of pensions where necessary, and with generally ensuring that old age pensioners receive the amounts of pensions to which they are entitled.

SOURCES

1. *Social Denmark*, Socialt Tidsskrift, Copenhagen, 1947.
2. Orla Jensen, *Social Services in Denmark*, Det Danske Selskab, Copenhagen, 1948.
3. *Approaches to Social Security*, International Labour Office, Montreal, 1942.
4. *Social Security Legislation Throughout the World*, Federal Security Agency, Social Security Administration Bureau Report No. 16, Washington, 1949.
5. Act: *Social Insurance (Amendments)*, Dated 4th July, 1946, Legislative Series, International Labour Office, 1946-Den. 1.

(1) Jensen, op. cit. p. 56.

The CHAIRMAN: I will now ask Mr. Willard to take the stand and proceed with his submission.

Mr. J. W. Willard, Research Director, Department of National Health and Welfare, recalled:

The WITNESS: Mr. Chairman and members of the committee: I would like to preface my remarks by setting forth the essential features of the scheme in Denmark and then to make a few observations on certain aspects of that scheme which I think might be of interest to the committee, and finally, we might as the chairman has suggested have questions on the brief as a whole.

As has been mentioned previously, Denmark was the first country to enter the field of non-contributory old age pensions, back in 1891. That scheme has remained intact until today, and in 1933 it was integrated with a number of other social security programs.

The retirement age is sixty-five for men and sixty for women, at which ages the pension is payable on a means test. There are two types of pension: the basic pension which is varied according to cost-of-living areas, and supplementary pensions. The supplementary pensions are of four types; firstly, a pension for deferred application, which means that if a person delays application for a basic pension until the age of sixty-seven he will receive an additional 5 per cent of basic pension; if he defers application until the age of seventy he will receive 10 per cent; the second feature of the supplementary pensions is the fact that they pay a bonus of 8 per cent for pensioners who reach the age of eighty; the third feature is that they provide a special allowance for dependent children of pensioners providing the dependent children are under the age of fifteen; and the fourth type of supplementary pension is known as a special supplement which is made available under special circumstances for the provision of fuel, clothing and personal needs.

(Hon Mr. King assumed the chair.)

The scheme is financed through general revenues by national and local governments on the basis of $\frac{4}{5}$ ths national and $\frac{3}{5}$ ths local. With regard to the local share there is an intercommunal refunding system.

Now, I think there are certain features of the Denmark scheme which may be of special interest to the committee. In Canada we have provided a flat rate benefit under our old age pension program. Earlier in the sessions of this committee the question was raised as to whether that flat rate is equitable throughout the whole of Canada. With a flat rate pension you have the problem that it may be adequate in some areas and inadequate in others, depending upon the cost of living in those various areas. In our unemployment insurance legislation we have tried to overcome that difficulty by having graded benefits; and these benefits are related to the contributions which are also graded; thus the benefit rates, to some extent, reflect the income level of the beneficiary. Under the social insurance schemes of the type to which we are accustomed in Canada and the United States benefits are related to the rates and duration of contributions, as for example in the case of the old age and survivor insurance in the United States, or under a graded system of benefits such as unemployment insurance in Canada. These schemes, to some extent, adjust the benefits to the income of the individual in terms of his previous earnings record and to different income areas.

Denmark pioneered in the flat rate benefit field but they have added certain features to try to overcome the difficulties that arise from the flat rate benefit. One approach which they have used is to provide pension rate differentials

according to cost-of-living areas. They have divided their country into three cost-of-living areas; Copenhagen which is by far the largest centre in the country, the provincial towns and the rural districts. You will notice on page 4, table 1 that variations in the basic pension rate according to the cost-of-living areas are set out. There is of course a variation according to the marital status of the pensioner, as is the custom in most countries; but there is this added feature that they have divided the country into cost-of-living areas and provide pension rate differentials.

You will recall that when the question of the adjustment of the pension rate with changes in the cost-of-living index in Australia was under discussion I suggest that in some instances the cost of living does not move in the same direction in all parts of the country and that if you start to adjust the flat rate benefit to a general cost-of-living index you might produce hardship in some areas of the country if the general index fell while the cost of living in certain areas remained the same, or rose, or did not fall to the same degree as reflected in the general index. I suggested also that if you start to vary the pension rate in accordance with different price movements within the country you will end up in time with differentials in the pension rate for different parts of the country. Now, Denmark does not adjust its basic pension rate regularly in line with changes in a cost-of-living-index; rather they have divided the country into three cost-of-living areas, and then have set a flat rate basic pension for each area.

The second point that I thought would be of particular interest, and it is related to the one that I have just been discussing, is the fact that a flat rate pension is often insufficient to meet the basic needs of an elderly person and that there may be instances where supplementary aid should be provided. Now, the Denmark scheme introduced this principle of supplementary benefits in an effort to overcome cases of hardships. In table 2 on page 6 you will see a summary of the different types of supplementary payments. You will notice that these supplements also vary according to the cost-of-living areas. You will see that a special supplement is payable for fuel, and another for clothing. The third item, pension, includes a rough approximation of supplement which is the special provision whereby the pensioner who reaches the age of eighty receives a bonus of 8 per cent and the deferred supplement which is the feature whereby a bonus is provided for deferred application. The fourth item is the provision for dependent children. In some instances it is a hardship upon an elderly couple to maintain a dependent child. Denmark has tried to minimize the hardship with a special supplementary pension.

The third feature which I think deserves attention is the question of retirement age and the provision of the deferred application supplement. One of the basic problems that we face today in the provision of old age income security is the fact that our population is ageing and that the cost of that program will increase in the decades immediately ahead, and that the proportion of working population to support that aged population is expected to become relatively smaller. Advances in public health and medical science have resulted in people living longer and they need in their later years either gainful employment or an adequate income and satisfactory recreational provisions. In our industrial society the age of sixty-five has become firmed as a retirement age upon which many of our private pension plans are being based. Many countries in years past have accepted the age sixty-five for use as the retirement age; but the problem that we have seen both from the point of view of the individual and from the point of view of the nation is what is the most satisfactory retirement age. Some psychiatrists consider that it would be desirable for elderly persons to keep on working as long as possible even if it has to be on a part-time basis. Thus from the point of view of the mental health of the individual every encouragement should be given to a person to continue working. From the point

of view of the cost of a national pensions program it is of course obvious that the lower the retirement age set the more costly the program will be for the country as a whole. Denmark's approach to this question under a means test scheme has been to place a bonus upon deferred applications. When we come to study Great Britain we shall see how a bonus is placed on deferred retirement under a non-means test insurance scheme. But I would submit, Mr. Chairman, that encouragement of deferred application and/or deferred retirement is a fundamental question in any consideration of old age income security. The procedure adopted in Denmark is that if the individual defers application until age sixty-seven the basic pension will be increased by 5 per cent; if he defers application until age seventy the basic pension will be increased by 10 per cent.

I think, Mr. Chairman, that that sums up the over-all scheme and brings up a few points of interest. I would like to mention one or two statistical facts which also may be of interest. On page 2, the last paragraph, it is stated that in 1947 there were 212,000 persons, or 40.5 per cent of the total population age sixty years and over in receipt of old age pensions. The figure that appears on page 2 I think is unfair because it includes men between the ages of sixty and sixty-five, who would not be eligible for pension so I would like to suggest this amendment. If you take the 1947 population and the number of males sixty-five and over and the number of females sixty and over for that year the percentage participation was 44 per cent. The only figure that we have indicating the proportion of the cost of old age pensions and other social security expenditures is for 1943, and in that year old age pensions represented 36.5 per cent of social security expenditures.

By Mr. Richard:

Q. Is there any way of ascertaining what proportion of those who receive pension are deferred pensioners?—A. I am sorry, sir, we have no information on that point, but we will try to obtain it. I think it would be of interest to get the proportion.

Q. And I understand they have a pension for invalids?—A. Yes, the invalid pension scheme was grouped with the old age pension scheme as it was earlier in Australia; when the program was introduced in Australia it was an old age and invalid pension scheme, and you will find this development in many other countries.

Mr. MACINNIS: But the old age pension is just a part of the complete social security plan?

The WITNESS: Yes, they have a number of other social security programs which are, of course, mentioned earlier in the brief, on pages 1 and 2.

Mr. RICHARD: And the old age pension takes in only a percentage of all the social security benefits?

The WITNESS: Yes, it is 36.5 per cent of the cost of all social security expenditures.

Mr. RICHARD: That would include invalids and things like that?

The WITNESS: Yes.

Mr. FLEMING: Might I ask a question about deferment at age seventy and deferment at age eighty? Does this arise out of the exercise in some official way of an option, or simply if they fail to apply for a pension at the pensionable age of sixty-five or sixty.

The WITNESS: If an individual does not apply before age sixty-seven and then applies at age sixty-seven he qualifies for the deferred supplement. By deferring his application the applicant has the 5 per cent added to his basic pension.

Mr. FLEMING: I see. In other words, he is not prevented from changing his mind during that five-year period in the one case or during the fifteen-year period in the other case. He gets that extra advantage if he defers his application, but there is nothing to prevent him from changing his mind.

Mr. CROLL: Suppose that instead of taking it at age sixty-seven he wants to take it at age sixty-six?

The WITNESS: He would then get his basic pension at age sixty-six.

Mr. CROLL: He would lose out on that?

The WITNESS: Yes.

Mr. FLEMING: Is that right? Isn't that dated back? I understood from your answer that that was dated back from age sixty-seven?

The WITNESS: No.

Mr. BROWN: I think you said that if he deferred his application until age sixty-seven he would get a bonus of 5 per cent, and if he deferred it until age seventy he would get a bonus of 10 per cent; and then at age eighty he would get a bonus of 8 per cent. Let us take that additional 10 per cent at age seventy; does that mean that at age sixty-seven he would get 5 per cent additional, that if he waits until age seventy he will get not only the 5 per cent but a further 10 per cent additional?

The WITNESS: May I put it this way, Mr. Chairman; if a person retires at age sixty-five or age sixty-six he receives the basic pension; if he retires at age sixty-seven, sixty-eight or sixty-nine, he receives the basic pension plus 5 per cent; if he retires at age seventy or over he receives the basic pension plus 10 per cent of the basic pension.

Mr. CROLL: Not 5 and 10?

The WITNESS: No.

Mr. FLEMING: I would just like to go back to that point for a moment and put it in the opposite way. Let us suppose that when he comes to pensionable age he decides that he will wait for a time and then he changes his mind; let us say to follow that up, that instead of waiting the full five-year period he applies for his pension, is that benefit retroactive?

The WITNESS: No sir.

Mr. FLEMING: Then he has lost it; it has gone for all time?

The WITNESS: That is right, sir.

Mr. BENEDICKSON: I wonder, Mr. Chairman, if Mr. Willard would work out for us a table to show the application of these pension rates for the several age groups so that we would be able to see when he was eligible to receive a bonus.

The WITNESS: Mr. Chairman, we could work out the annual value of his pension at different age levels to enable the committee to see the difference in value of an individual retiring at different ages in Canada.

By Mr. Brown:

Q. Could I go further into this deferred application? You say that at age eighty he gets a bonus of 8 per cent. Does that mean that he gets his basic pension plus 10 per cent because he deferred his application until seventy or after, plus a bonus of 8 per cent?—A. It is 8 per cent of the basic pension. Mr. Brown, if he is over age eighty, and he may already be receiving 10 per cent if he deferred application for retirement until age seventy.

Q. And if he waits until age seventy before he puts in his application he gets 10 per cent additional?—A. That is right, sir.

Q. And then you say that when he becomes eighty years of age he gets an additional 8 per cent?—A. Eight per cent of the basic pension in addition, but not 8 per cent of the 10 per cent; that is all I am saying.

Q. He gets—? —A. 8 per cent of the basic pension. He may already be receiving 10 per cent of the basic pension because he deferred application until seventy years of age.—A. He therefore gets his basic pension plus 10 per cent of basic plus 8 per cent of basic?—A. That is right.

Mr. RICHARD: Why not call it 18 per cent?

Mr. MACINNIS: It is 8 per cent of the basic pension for a single person.

Mr. FLEMING: In the face of what you said, is it not a fair conclusion that there is not very much inducement to defer an application, because if a man defers he is risking his own death before he reaches the five, the ten, or the later period and he is gambling as well on the loss of the pension up to that point? So, if a man qualifies under the means test, he is not going to wait until that later period in the hope of qualifying for the later pension?

The CHAIRMAN: Except that he may be a man who is earning good wages at 65 years of age and he prefers to keep on earning those wages and go on to 70.

Mr. FLEMING: But the only man I am speaking of, Mr. Chairman, is the man who qualifies under the means test, not the man who is working and does not qualify under the means test. I say that the former man is not going to wait and risk death.

The CHAIRMAN: If he required his pension, I do not think he would wait.

The WITNESS: If the individual needs the pension, I do not think that an additional 5 per cent would make him wait.

On the other hand if he has a position which is bringing him in some income and he is, let us say, 66 years of age, it may be a question of carrying on with that job for the balance of the year to get the 5 per cent; it might provide sufficient incentive for him to carry on in his employment for this further period of time.

By Mr. Fleming:

Q. Can you tell us a little more about the operation of the means test? Is there any deduction made in respect of income or property where a man is under the maximum allowable outside income?—A. Discussion of the means test commences on page 3; it outlines the income qualifications which apply to the basic pension. The extra five or ten per cent for deferred application is based upon the basic pension provided. A pensioner can have an allowable income up to 50 per cent of the basic income; and then, on income over and above that allowable limit deductions are made; it is reduced by 60 per cent of the first 500 crowns, which would be 300 crowns if he received an additional 500 crowns. The amount of pension is reduced by any further income over 500 crowns by the amount he receives over that limit.

Q. That section does not mention the matter of property ownership.—A. At the top of page 5 it states that:

In assessing the income in excess of the maximum allowed for a full basic pension, 430 crowns or one-third of the annual amount received from private pensions, annuities, or other such sources, whichever is greater, is disregarded, up to a maximum of 880 crowns. In assessing income from bequest or other more regular support, 220 crowns or one-third of this income, whichever is greater, is disregarded, up to a maximum of 430 crowns.

Q. That is all income. You are not in a position to give us, I take it, any more information about property?—A. Only in so far as it says "or other such sources", but that would probably refer to income. We have no further information about property.

Q. It is all income. I have a question with respect to table 2. I suppose the same would apply to table 3? No, not table 3; that is quite clear. But table 2 speaks of "supplement rates", while table 3 is headed "maximum pension rates". Are the pensions on table 2 maximum supplements?—A. Yes.

By Mr. Benidickson:

Q. What is the prevailing exchange rate?—A. In Table 2, fuel, clothing, and dependent children supplements are at maximum rates.

Q. No. I mean the value?

The CHAIRMAN: Just a moment, Mr. Benidickson. Please let the witness finish his answer.

The WITNESS: The 'pension' item that is shown in table 2 is, so far as we know, actually an average that has been taken of the age and the deferred supplements, in order to give a tabular presentation, so that it really does not hold.

By Mr. Fleming:

Q. You are now speaking of table 2?—A. Of table 2; in order to give a tabular presentation these have been averaged, and the item 'pension' includes both the deferred application supplements and the age supplements.

By Mr. Laing:

Q. All of these are valued according to need?—A. That is right.

Q. Representations are made by recipients in respect to each separate item?—A. That is right.

Q. Then this is one of the most vicious means tests we have ever seen, if the person needs a pension.

Dr. DAVIDSON: It is in fact a means test first of all, and on top of that it is a needs test.

Mr. KNOWLES: There is a means test for the basic amount and where one can establish a greater need, a supplement is available on a needs test?

Dr. DAVIDSON: That is right.

By Mr. Fleming:

Q. These are maxima shown on table 2?—A. That is correct, sir, in so far as supplementary rates are concerned, with the exception of the item of pensions.

By Mr. Knowles:

Q. If a supplementary rate is granted, the amount of it varies from 1 crown up to 112 crowns in the case of fuel?—A. That is correct.

Q. May I ask a question in respect to the deferred application supplements, whether there is any difference with respect to the limit? Let us say a man goes on pension at the age of 65, but by deferring 2 years he gets a bonus, and let us say that a woman goes normally on pension at 60 years of age; does she have to wait 7 years for the same bonus?—A. The answer to your question, Mr. Knowles, would be that she would have to wait for that period of time. The age provisions for the deferred application supplements are set down at 67 and 70.

Q. Is there any other provision with respect to the age deferment? For example, in New Zealand, when a man reaches a pensionable age and his wife is younger, the board may, in its discretion, grant a further pension to the man as well. As I understand it, it would do so automatically. Is there anything comparable in this picture? Suppose the man is 65 years of age and his wife is only 55 years of age, what would happen?—A. I have no information readily available on that point, sir. But my understanding of it is that, there is no provision for it under the old age pension program.

Q. May I ask another question in respect this time to the financing of the plan, unless I am going too far afield? Do I understand that there is no special class or old age pension granted, and that the old age pensions and all the various supplements to them are financed out of general revenues collected from income taxes and so on? And is it also clear that there is no relationship between the pension that is received and any tax that is paid, but that there is an additional requirement that you have to have been a contributor to the sickness insurance scheme?—A. It is required that if you accept the old age benefit or pension, you have to pay your dues in a sick club, which provides you with certain health insurance benefits. But the payments to the sick club relative to the cost of service provided are only nominal.

Q. Is membership in a sick club compulsory?—A. Compulsory if you receive the old age pension.

By Mr. Benidickson:

Q. You say that the fee is nominal. Do you know, in fact, what the fee is?—A. For the year 1942-43 the health insurance was financed on the following basis: 13,878,000 crowns were paid by the communes; 24,072,000 crowns were paid by the State Government; and 68,721,000 crowns were paid by the insured through their sick clubs. Of the total cost of the health insurance you will note that the insured carry a considerable proportion of that cost but that the state and the communes also contribute substantially; thus only part of the cost is paid through the sickness societies or the sick clubs.

I am sorry, Mr. Chairman, but I do not have the exact contribution that is made by a pensioner to the sick clubs. However, I do have the figures here for a worker, and it would appear that the contribution would be equal to two or three days' wages of an unskilled worker; that would be two or three days' wages in a year of an unskilled worker, and on that basis, Mr. Chairman, it would not be a very considerable amount.

By Mr. Knowles:

Q. May I clear up one point. I think you stated—and it caused me some surprise—that it is compulsory to hold membership in a sick club. Would that be membership prior to going on pension, or would it be membership only when you do go on pension? The statement on page 3 says that in order to go on pension you have to be a contributing member to the national sickness insurance scheme. Have I made my question clear?—A. I think, Mr. Chairman, that can be explained by the fact that there are active and passive memberships in these clubs; and it is a requirement that everybody 21 years and over have a passive membership, which is a nominal membership in the club. Active membership requires a contribution, and it is a requirement of a person applying for old age pension. Passive membership in the club is a non-contributory membership in so far as health insurance protection is concerned, and if you are a passive member you are not entitled to all the health insurance benefits provided active members.

Mr. FLEMING: I am getting rather a bit confused on this point. Could you clarify it a little more in relation particularly to the second part of the first sentence on page 3?

The CHAIRMAN: I understand that Dr. Davidson would like to help in the clarification of this point.

Dr. DAVIDSON: I do not know if I can keep that promise but I was going to say that I think this is a pretty important point in terms of old age security and in terms of the relation of the health insurance program in Denmark to their over-all program. Mr. Willard probably knows more about this than I do. But Denmark is one of the few countries in the world which have a voluntary health insurance program.

Most of the countries which endeavour to cover their entire population have compulsory health insurance and it is interesting to note how Denmark has succeeded as far as it has in terms of a broad coverage while maintaining what is in essence a voluntary health insurance program.

I think here, at least, is something in the way of a key to it. While they keep the health insurance program voluntary, they do in fact at the later end of life impose a type of sanction on a person and that is an indirect way of ensuring that a large number of the population do compel themselves to join voluntarily the health insurance program so that they will subsequently have a sure access to the means test old age benefit.

I am not clear on the point beyond that, Senator King, but I do think it is an interesting point to explore a little further and perhaps, if Mr. Willard has not obtained the answer while I have been talking, it might be worth while giving him an opportunity for a little further supplementary information later on for the sake of the record.

Mr. KNOWLES: I would like to know whether or not a person who qualifies for the old age pension has to have been a member of the sick club for any stated period of time prior to the time he makes his application, or is it possible for him to join the club on the day that he makes his application.

Mr. BENEDICKSON: Or is it just having a deduction made from his old age pension to the extent of the dues to the sick club?

Mr. FLEMING: As an active member?

Mr. MACINNIS: I think I saw a sentence or two somewhere in the brief to the effect that the old age pensioner who is also contributing to the voluntary insurance scheme would be cared for by the national insurance scheme; and if he pays contributions to it his care in sickness becomes the responsibility of the club or the local organization.

The CHAIRMAN: You mean that he would not come under this pension scheme?

By Mr. MacInnis:

Q. Well, he would be eligible for old age pension but not for the sickness benefits?—A. May I just add a word further: in 1933 passive membership was made compulsory upon all who were not active members of a state approved sick club, and at the same time the right to old age pension—and also to invalidity pension—was made conditional on membership in a sick club. Thus, although the obligation on the one hand was confined to passive membership of the sick club, on the other hand it was extended to all members of the population whose health satisfied the conditions for that membership; but the application does not involve an automatic active membership. If the insured deliberately allows his membership to lapse, thereby making himself unworthy of the help to self-help which society extends through its grants to the insurance, he is debarred, either temporarily or permanently, from the benefits of the insurance, though in most cases he will still be obliged to pay the premiums; and, if he should need the insurance benefits, he would have to get them from the ordinary public assistance authority, with the legal disabilities thereby entailed.

By Mr. Brown:

Q. How would you become a passive member?—A. They are all automatically passive members now, following that law of 1933.

Q. Why passive?—A. Well, that is the terminology they have adopted in Denmark. They are enrolled with the club but they are not contributing—insofar as health benefits are concerned. In other words everybody is enrolled

but some are contributing for health insurance and some are not contributing for it. Those who are active members may receive certain health benefits, while those who are passive are not entitled to these benefits.

Q. Then everybody is a passive member basically? Basically they become passive members?—A. I understand under the present law that basically everybody now would be a passive member.

Q. And as passive members they receive no benefits. But when they become active members, they get benefits?—A. That is correct, sir.

By Mr. Fleming:

Q. The active members could be likened to members of the opposition in the House while the passive could be likened to the government supporters?

Mr. BROWN: Oh, you do not know the present government.

Mr. KNOWLES: But in that case the passive members would get some benefit.

The WITNESS: If I can provide further detailed information on this for the committee I shall be glad to do so.

By Mr. Benidickson:

Q. On page 4 you make reference to another pension from the state or local authority which might be the basis of a reduction in the basic pension. What type of pension are you referring to there?—A. Mr. Chairman, I shall try to obtain the answer to that point. I raised this same question myself with some of my colleagues this morning and they indicated that the source from which they had obtained this material stated it in this manner and that they have not been able to obtain further information concerning the matter.

Q. At the bottom of page 5 you refer to the supplementary pension that would be payable on the basis of dependent children. Does that include dependent grand-children?—A. Yes, sir. That would include any dependent children under the age of 15 who are dependents of an old age pensioner.

By Mr. Brown:

Q. And adopted children as well?—A. Yes, sir. If the children are dependents of the old age pensioner, there would be a dependent children's supplement paid to the old age pensioner on behalf of those children.

By Mr. Benidickson:

Q. On page 9 you point out that the old age pensions are financed entirely by public revenue raised through general taxation. Do you know whether any of the other benefits under their general social security scheme are paid for out of specific levies, or are they financed as well out of general taxation?—A. With the exception of health insurance to which I have referred and unemployment insurance, most of the other social security measures are paid for out of general revenue and usually it is a combination of revenue from the national government and the communes.

Q. I notice that the national government only pays about 55 per cent of the total amount of the pensions, while about 44.9 per cent is paid by the local administrations. Does the local administration have the decision as to deductions based on their means test procedures?—A. Mr. Chairman, I mentioned that the pensions are paid at the local levels and the local governments are reimbursed by the central government—could I have that question again?

Mr. KNOWLES: It seems to be answered on page 10.

Mr. CROLL: Yes, by paragraph two on page 10.

The CHAIRMAN: Would it not be better to allow the witness to go on with his further explanation and then have questions rather than to ask questions in advance?

The WITNESS: I think, Mr. Chairman, I have concluded my statement. If there are no other questions, as it is now 12 o'clock, perhaps we should turn to Sweden.

By Mr. Laing:

Q. I would like to ask Mr. Willard for some comment on the provisions for local payments based on cost of living. I see there are some variables in the table there, I take it that is based on the part of the country in which the pensioner resides. Would there be an adjustment of the present amount of benefit for living in one place as contrasted with another?—A. I would think they would adjust those rates as far as possible in accordance with the different cost-of-living levels in the three areas. While there might be a differential between the three areas there would not be a great deal of advantage in moving from one to the other, but in special cases you might have a situation for example where a person could get a house in Copenhagen at a rental which is lower than the normal rate. There might be some individual instances where it might be advantageous to move from one area to another, but generally speaking, I would not think so.

Q. My second question, Mr. Chairman, is this: Are there not so many areas to be taken into consideration under this scheme that you might expect the administration costs to be higher than in most cases?—A. Beyond a general comment I would not want to say, Mr. Laing. The fact that Denmark is a small country of 4,000,000 people makes for a less complicated administrative situation than in a country with a much larger population; in addition to that, geographically, it is a compact country, and in terms of the number of offices and personnel needed the administration costs would be comparatively low; but to the extent that more pension adjustments are needed I would think this would add to administrative cost.

Mr. SHAW: Is there any information available as to citizenship and residence qualifications?

The WITNESS: I am sorry, Mr. Chairman, I haven't any information with me concerning citizenship qualification. I can make that available along with the other material. So far as I know there are no residence qualifications.

The CHAIRMAN: Shall we go on to Sweden now?

By Mr. Picard:

Q. I see that you have shown here that there is a close relationship between the old age pension scheme and invalidity pensions. Are the invalids paid at a basic rate, or do they draw their invalidity pension as well as their old age pension, or are they subject to a deduction from the regular old age pension?—A. Mr. Chairman, there is no difference in the basic rates that are paid for invalidity and old age. I can give you those rates now but we would have to go into some detail. There is a general invalidity pension, a helplessness pension, and a blindness pension. But if you wish to get along with Sweden, I could supply the basic and supplementary rates and other information to the member after the meeting, or to the committee generally next day.

Q. I think while we are on this, you might just take a note of that question and supply the answer later, if you do not happen to have it ready now.—A. I have the rates and other information but there are about eighteen different rates. Do you wish to have them read into the record.

Q. Can you give us a statement on that?—A. I can have them tabled for the record later, if you wish. That would save time now.

The CHAIRMAN: There is no hurry.

By Mr. Picard:

Q. In the next paragraph on page 2 you mention the percentage of persons sixty years of age and over, who are receiving pension; have you any figures concerning the proportion of invalids receiving pension in relation to the total population of the country?—A. No sir, I have no information with me on that point.

Q. You do not know the number of people in Denmark receiving invalid pension?—A. I would be glad to obtain that information for you.

Q. I wish you would. Another point is this: When the invalid goes on the old age pension does the invalidity pension stop at once, automatically; what is the position with regard to that?—A. I am speaking subject to correction on this point, sir, but as far as I know the invalidity pension continues to be paid up to age 65 when the basic old age pension is paid—but I will verify that for you at the next meeting.

Invalidity			Administration
Amount		Qualifying conditions	
Same as old-age plus special supplements as follows (rates as of April, 1949):			Ministry for Social Affairs Government agency concerned. Invalidity Insurance Court, national body of five members appointed by Minister, determines right to invalidity benefit. Administration of invalidity insurance interlocks with health insurance administration as to eligibility, income, etc. Old-age pensions claims adjudicated by communal social affairs committees. Pensions are disbursed by commune of residence.
Annual supplement (in Crowns)		Unable to earn 1/3 of amount earned by persons with similar training and skill in same locality. Income limit same as for old-age pension. Membership in sick club. Good character.	
	Couple			Single person
COPENHAGEN			
Invalidity.....	456	228	
Helplessness.....	972	648	
Blindness.....	864	432	
PROVINCIAL TOWNS			
Invalidity.....	432	216	
Helplessness.....	900	600	
Blindness.....	816	408	
RURAL DISTRICTS			
Invalidity.....	408	204	
Helplessness.....	828	552	
Blindness.....	768	384	
Additional benefits: Vocational training and medical care under health insurance.			

Q. And regarding the age at which the age pension starts, do you pay an extra pension or do you add to the pension for children under fifteen? I would ask that information with regard to that point be included with the other material for which I have asked.—A. The qualifying conditions for invalidity pensions are inability to earn one-third of the amount earned by a person with similar training and skill and in the same locality; the income limit is the same as for old age pension; membership in a sick club; and good character. I have no information here as to the exact age at which the invalidity pension commences but it is either 14 or 15 years. The invalidity pension rate is the same as the old age basic pension rate with different rates for the special supplement; I will table those supplements as a part of the text of the proceedings of this meeting rather than read them at this time.

Mr. PICARD: Thank you.

Mr. CROLL: Shall we go on to Sweden now?

The CHAIRMAN: Yes, Sweden:

I. INTRODUCTION

The Swedish old age income security program combines a non-means test pension with supplementary means test payments. Since 1913, pensions for the aged and for invalids have been combined in Sweden under a single national compulsory pensions scheme. Through successive developments, culminating in the National Pensions Act of 1946, the scope of the scheme has been extended to include widows' pensions and sickness benefits for the temporarily invalided. Benefits have gradually been increased in amount as well as in type, and a voluntary pension insurance plan has been instituted to supplement the pensions provided under the compulsory program.

The old age pensions which are paid to persons aged 67 and over under the national compulsory pension scheme, are composed of two parts: *general pensions* which are payable to all persons who meet the primary qualification respecting age, and *supplementary pensions* or bonuses which are based upon a means test. Thus, an old age pensioner in Sweden receives a basic or 'general' pension as a matter of right; in addition, he may, depending on his circumstances, receive an 'ordinary' housing supplement, a further 'special' housing supplement, and, in certain circumstances, his wife may receive an allowance.

Pensioners requiring aid additional to the pensions and supplements listed above may be provided, on a local basis, with poor relief in cash or kind or in the form of institutional care. Pensioners may also obtain the benefits offered under the existing voluntary health insurance system providing they have met certain qualifying conditions.⁽¹⁾

Widows' pensions, provided under the national scheme, also consist of general and supplementary amounts and are paid to a widow, who, at the time of her husband's death, has passed the age of 55 and who was married to him for at least five years.⁽²⁾

Under the compulsory pension scheme, each citizen, with certain minor exceptions, from the age of 18 to 66, inclusive, is required to pay an annual pension contribution into a special fund called the National Pension Fund, established for the purposes of the Act. Contributions vary according to income and marital status and are based upon income tax assessment.

(1) For an old age pensioner to be insured under the existing voluntary health insurance system, he must have joined the scheme before attaining the age of 40 (in some cases the limit is extended to 50 years). Under the new compulsory health insurance scheme scheduled to commence in 1953 all age restrictions on membership will be waived.

(2) The basic pension for widows is equal to three-fifths of the basic pension for single old age pensioners while the supplementary pension for widows is the same as the supplementary pension for married old age pensioners.

It may be helpful in studying the provisions for old age income security in Sweden to have a few comments concerning the country's social and economic background. Sweden is a monarchical democracy with a parliamentary form of government. The population of 6.8 million is mainly concentrated in the southernmost quarter of the country which has a total land area less than one-third that of the Province of Quebec. The country is still predominantly rural, approximately sixty per cent, despite the rapid industrialization that has occurred during the last century, and is self-sustaining agriculturally. The major industries include iron, steel, wood products, paper and machinery.

In 1945, the 655,375 persons 65 years of age and over represented 9.8 per cent of the total population; for the same year, the population aged 65 and over for the nine provinces of Canada was 857,200, or 7.1 per cent of the total.

II. OLD AGE PENSIONS

1. GENERAL PENSIONS

All Swedish citizens aged 67 years and over and residing within the country are entitled to a general pension without means test, regardless of their contribution record with the pension fund.

For single persons, the general pension is 1,000 crowns¹ annually and is paid irrespective of the amount of income from other sources.

In the case of a married beneficiary whose wife or husband is also in receipt of a national pension, or for beneficiaries whose wives are in receipt of a wife's allowance (see Supplementary Pensions below), the amount of the general pension is 800 crowns annually, with no reduction in respect of income from other sources. All other persons receive the general pension at the rate for single persons.

Since 1948, general pensions have been supplemented by a cost of living bonus amounting to 50 crowns per year for single persons, 40 crowns each to married couples where each is in receipt of a pension, and 30 crowns to wives entitled to a wife's allowance.

2. SUPPLEMENTARY PENSIONS

(a) *Wife's Allowance.* An allowance or supplementary pension is payable to the wife of a married man who is entitled to a general old age pension, provided the wife has attained the age of 60 (in special cases at a lower age), and the couple has been married for at least five years. Payment of this allowance is dependent upon a means test, with the maximum allowance of 600 crowns annually reduced by one-half of the couple's income from other sources in excess of 600 crowns.

(b) *Housing Supplements.* The housing supplements are designed to equalize variations in rental costs to age pensioners in different districts, and the amount payable in a district varies with average rental costs in that district.

(i) *Ordinary Housing Supplements.* For the purpose of this supplement, all areas in the country have been grouped in five categories according to rental costs, with a different supplement being provided for each category. In addition, the basic housing supplement paid to any pensioner is modified according to marital status and means.

For single persons, the maximum amount of the ordinary housing supplement ranges from 150 crowns in Rental-Cost Group II to 600 crowns in Rental-Cost Group V, with no supplement payable in Rental-Cost Group I; for married couples the maximum supplements range from 200 to 800 crowns. Where the wife is not entitled to any benefit the ordinary housing supplement paid to the couple is equivalent to that paid for a single pensioner increased by 50 per cent.

¹ The rate of exchange in January 1950, was 1 Swedish crown equals 28 Canadian cents.

The supplement is reduced by one-half of outside income in excess of 400 crowns per year for single persons and 600 crowns per year for a married couple. No deduction is made for aid from relatives or for payments, up to a specified limit, from private pension plans.

(ii) *Special Local Housing Supplements.* Old age pensioners may also receive special housing supplements from the commune in which they reside. These special supplements are granted chiefly in districts with exceptionally high housing costs and vary with the circumstances attending each case.

(c) *Effect of Means Test on Amounts of Supplements.* The effect of the means test on the amounts of the wife's allowance and the housing supplements is shown by the tables of Appendix I. Sections A and B show the effect of different amounts of outside income on the supplements for single pensioners, and for married couples, both of whom are eligible for general pension.

Sections C and D show the effects of different amounts of outside income on the supplements paid to a married couple when the wife is either in receipt of a wife's allowance or is not eligible for any benefit in her own right.

III. FINANCING

1. REVENUE AND EXPENDITURES

Funds for financing old age, widows' and invalidity pensions under the national pension scheme, are raised through contributions from insured persons, interest from the National Pension Fund, and appropriations from the national and local governments.

The total gross expenditure on all types of national pensions in 1948-49 was 706.3 million crowns which was derived as follows: 559.3 million crowns or 79.2 per cent by appropriations from the national and local governments, 120 million crowns or 17.0 per cent from insurance contributions, and 27 million crowns or 3.8 per cent from interest on the National Pension Fund. The national government's share of the total appropriations by both the national and local governments to the National Pension Fund amounts to approximately 80 per cent. Thus, it can be seen that the National Government takes care of the largest share of the cost of the program and that the bulk of the National Government outlay is obtained from general revenues. Insurance contributions make up only a small proportion of the total cost.

At the present time a breakdown of the receipts and expenditures for the old age scheme under the program implemented in 1948 (National Pensions Act 1946) is not available. Table I shows the various amounts expended on social security by both the national and local governments of Sweden in 1948-49. Government expenditure on the national pension system, which amounted to 559.3 million crowns, represented 39.6 per cent of the total government expenditure on social security for that year.

2. CONTRIBUTIONS

Under the National Pensions Act of 1946, each citizen, with certain minor exceptions, who is between the ages of 18 and 66 years, inclusive, is required to pay an annual pension contribution which varies with income and marital status subject to the stipulation in that no contribution shall be less than 6 crowns or more than 100 crowns a year. The rate of contribution is based upon income tax assessment with no variation for age, sex or number of dependents. For unmarried contributors, it is one per cent of income subject to income tax, and for married contributors, one-half of one per cent of the couple's combined assessment.

TABLE I

GOVERNMENT SOCIAL SECURITY EXPENDITURES, SWEDEN, 1948-49

Program	Amount	Per cent
	(Crowns)	
Labour Market ⁽¹⁾	45,539,300	3.2
Accident Insurance and Worker's Protection.....	21,875,100	1.5
Housing Measures.....	35,104,700	2.5
Health and Medical Care.....	212,319,400	15.1
Child and Youth Care.....	11,194,300	0.8
Family Welfare Measures.....	78,450,000	5.6
Children's Aid ⁽²⁾	436,600,000	31.0
National Pensions.....	559,300,000	39.6
Miscellaneous.....	10,180,700	0.7
Total.....	1,410,563,500	100.0

⁽¹⁾ This item of expenditure covers the cost of labour conciliators, the Labour Court, the Royal Labour Market Board and training for the unemployed.

⁽²⁾ Children's Aid expenditure includes the cost for General Child Aid (the Swedish equivalent to Canadian Family Allowances), and other cash programs for mothers, orphans and invalid children.

Source: Carl J. Hojer, *Social Welfare in Sweden*. The Swedish Institute, Stockholm, 1949, pp.136-137.

Failure to pay contributions does not result in forfeiture of the right to receive a pension. No contributions are required from employers on behalf of their employees.

Contributions are collected annually with general income tax and are deposited in the National Pension Fund. In 1947 (the most recent year for which data are available), the total number of contributors was 4,360,000 or approximately 64 per cent of the total population.⁽¹⁾

IV. VOLUNTARY PENSIONS

As was previously mentioned, the government operates a voluntary pension insurance plan under which persons may, by voluntarily paying premiums, augment their national pension benefits. The premiums under the scheme vary with the amount of insurance carried and beneficiaries may begin receiving their pensions at the age of fifty-five.

In 1945, the latest year for which information is available, 16.5 million crowns was paid into the voluntary insurance scheme by way of contributions.

V. ADMINISTRATION

The administrative organization of the pension scheme is essentially a centralized system with the authority for determining procedure and implementing policy lodged in a central administrative agency and the responsibility for performing local functions entrusted to locally elected bodies.

1. AT THE NATIONAL LEVEL

Responsibility for the administration of the pension program at the national level rests with the Pension Board which is one of several administrative departments under the Ministry of Social Affairs. The Pension Board is appointed by the Crown and consists of a director general and six members, each of which heads one of the bureaux comprising the organization. In addition, a board of four experts who are not civil servants is appointed by

¹ *Year Book of Labour Statistics 1947-48*, International Labour Office, Geneva, 1949, p. 252.

the government to assist the Pension Board in a consultative capacity. Decisions regarding investment of the National Pension Fund are the responsibility of special Fund commissioners appointed by the government.

The Pension Board is responsible for the routine administration of the compulsory pension program, which includes the monthly payment of all pensions by national pension money orders.⁽¹⁾ The Board also administers a voluntary pension system, the compensation for the blind and the child allowance programs, and since 1937 has been responsible for the supervision of the national voluntary sickness insurance system and other benefit societies, though not for unemployment insurance. Finally, the Pension Board is charged with policy planning, the interpretation of pension legislation, and generally advising the government on all pension matters.

2. AT THE LOCAL LEVEL

For the purposes of local administration, the country is divided into pension districts. The districts correspond, in most cases, to the communes, the smallest political administrative units in Sweden. Administrative duties within each district are handled by a pension committee composed of a chairman and vice-chairman appointed by the Crown and of two to six members elected by the local district.

Liaison between the local pension committees and the Pension Board is effected through district pension officers appointed by the latter body. Pension officers attend the meetings of the local committees but have no voice in the committees' decisions.

Local committees are responsible for receiving all pension claims within their districts and for reviewing them as to the accuracy of the declarations contained in them. Unless special circumstances attending a claim, as specified in the regulations, call for a decision by the local committee as to the eligibility of the claimant, the local committee must pass the claim on to the Pension Board.

Appeal machinery is provided in respect to decisions regarding claims by the local pension committees but not against those of the Pension Board, which are final.

¹ It is estimated that about 700,000 payment orders are sent out every month (this figure covers all pension payments under the national program and not just those to the aged).

APPENDICES

APPENDIX I

EFFECT OF INCOME FROM OUTSIDE SOURCES ON AMOUNTS OF SUPPLEMENTARY PENSIONS

A—SINGLE PENSIONERS

Outside Income of Pensioner	General Pension Cost	Ordinary Housing Supplement ¹				Special Housing Supplement
		Rental- Cost Group II	Rental- Cost Group III	Rental- Cost Group IV	Rental- Cost Group V	
(Crowns)	(Crowns)	(Crowns)	(Crowns)	(Crowns)	(Crowns)	
400	1,000	150	300	450	600	As determined locally.
600	1,000	50	200	350	500	"
800	1,000	Nil	100	250	400	"
1,000	1,000	Nil	Nil	150	300	"
1,200	1,000	Nil	Nil	50	200	"
1,400	1,000	Nil	Nil	Nil	100	"
1,600	1,000	Nil	Nil	Nil	Nil	"

¹ No supplement is paid in Rental-Cost Group I.

APPENDIX I—Continued

EFFECT OF INCOME FROM OUTSIDE SOURCES ON AMOUNTS OF SUPPLEMENTARY PENSIONS

B—MARRIED COUPLE, BOTH ELIGIBLE FOR GENERAL PENSIONS

Outside Income of Couple	Total General Pension	Ordinary Housing Supplement ¹				Special Housing Supplement
		Rental- Cost Group II	Rental- Cost Group III	Rental- Cost Group IV	Rental- Cost Group V	
(Crowns)	(Crowns)	(Crowns)	(Crowns)	(Crowns)	(Crowns)	
600	1,600	200	400	600	800	As determined locally.
800	1,600	100	300	500	700	"
1,000	1,600	Nil	200	400	600	"
1,200	1,600	Nil	100	300	500	"
1,400	1,600	Nil	Nil	200	400	"
1,600	1,600	Nil	Nil	100	300	"
1,800	1,600	Nil	Nil	Nil	200	"
2,000	1,600	Nil	Nil	Nil	100	"
2,200	1,600	Nil	Nil	Nil	Nil	"

¹ No supplement is paid in Rental-Cost Group I.

EFFECT OF INCOME FROM OUTSIDE SOURCES ON AMOUNTS OF SUPPLEMENTARY PENSIONS

C—MARRIED PENSIONER, WIFE NOT ELIGIBLE FOR GENERAL PENSION
BUT ELIGIBLE FOR WIFE'S ALLOWANCE

Outside Income of Couple	General Pension	Wife's Allowance	Ordinary Housing Supplement ¹				Special Housing Supplement
			Rental- Cost Group II	Rental- Cost Group III	Rental- Cost Group IV	Rental- Cost Group V	
(Crowns)	(Crowns)	(Crowns)	(Crowns)	(Crowns)	(Crowns)	(Crowns)	
600	800	600	200	400	600	800	As determined locally
800	800	500	100	300	500	700	"
1,000	800	400	Nil	200	400	600	"
1,200	800	300	Nil	100	300	500	"
1,400	800	200	Nil	Nil	200	400	"
1,600	800	100	Nil	Nil	100	300	"
1,800	800	Nil	Nil	Nil	Nil	200	"
2,000	800	Nil	Nil	Nil	Nil	100	"
2,200	800	Nil	Nil	Nil	Nil	Nil	"

¹ No supplement is paid in Rental-Cost Group I.

EFFECT OF INCOME FROM OUTSIDE SOURCES ON AMOUNTS OF SUPPLEMENTARY PENSIONS

D—MARRIED PENSIONER, WIFE NOT ELIGIBLE FOR ANY BENEFIT

Outside Income of Couple	General Pension	Ordinary Housing Supplement ¹				Special Housing Supplement
		Rental- Cost Group II	Rental- Cost Group III	Rental- Cost Group IV	Rental- Cost Group V	
(Crowns)	(Crowns)	(Crowns)	(Crowns)	(Crowns)	(Crowns)	
600	1,000	225	450	675	900	As determined locally
800	1,000	125	350	575	800	"
1,000	1,000	25	250	475	700	"
1,200	1,000	Nil	150	375	600	"
1,400	1,000	Nil	50	275	500	"
1,600	1,000	Nil	Nil	175	400	"
1,800	1,000	Nil	Nil	75	300	"
2,000	1,000	Nil	Nil	Nil	200	"
2,200	1,000	Nil	Nil	Nil	100	"
2,400	1,000	Nil	Nil	Nil	Nil	"

¹ No supplement is paid in Rental-Cost Group I.

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The WITNESS: Mr. Chairman, Sweden presents a different type of scheme in some ways. In the first instance a national pension fund has been established. It is a contribution scheme with an earmarked tax but a large proportion of the cost is paid out of general revenue. The measure for the aged and invalid's was introduced in 1913. In 1946, the scope of the National Pensions Act was extended so that it now includes payments in respect of invalidity, old age, widows, sickness and cash benefits for temporary disability.

The general pensions are paid at age sixty-seven on a non-means test basis. A single person receives 1,000 crowns and married couples receive 1,600 crowns. Supplementary pensions are paid on a means test for wives between the ages of sixty and sixty-seven, and two types of housing supplements are provided, one, the ordinary supplement which varies according to rental-cost districts, and the other special supplement which allows for a further remuneration under special conditions. The effects of the means test, in so far as supplementary benefits are concerned, are illustrated in Appendix I. In these cases the Appendix shows the amount of outside income the pensioner is allowed, the amount of the general pension and the ordinary housing supplement for different rental-cost groups 2, 3, 4, and 5. No supplement is provided for rental-cost Group 1. In addition the Appendix has a column for the special housing supplement which is determined locally. The appendix is set up in sections A, B, and C to provide information according to marital status.

To mention again the question of financing, seventy-nine per cent of the expenditures, for the last year for which we have information, was paid from general revenues and of this 80 per cent was paid by the national government and 20 per cent by the local governments or communes.

There is a national administration with local committees carrying out the work of the National Pension Board in particular localities. Liaison between the pension board of the national government and the local committees is provided by district pension officers.

I might suggest, at this point, a few aspects that may be of special interest in this scheme. We have noted in the Australian and the New Zealand schemes where there are contributory features, and I would suggest that the Swedish scheme in terms of financing somewhat approximates the type of scheme in New Zealand; only in the case of Sweden you have a much greater proportion being paid in to the National Pension Fund from the consolidated revenue; and in addition to the amount being paid by the national government you have contributions by local governments to the fund. I would point out also that the contributory scheme is geared into their income tax machinery so that the contributions are collected on all persons from the age of sixteen to the retirement age of sixty-seven on the basis of their taxable income. I believe that these financial arrangements are of particular interest.

Another matter which is of interest is the question of supplementary pensions on a means test basis. Provision is made for dividing the country into rental areas and every effort is made to provide, on a means test, further assistance through ordinary and special housing supplements.

(Mr. Lesage resumes the chair.)

The WITNESS: One of the main variables in the case of either an elderly couple or an elderly person is the rent factor. Even within a range of several miles you can have a very considerable differential in rental costs; as, for instance, accommodation in a metropolitan centre and similar accommodation in a rural area a few miles from that metropolitan centre. The Swedish government has endeavoured, under a contributory scheme, to provide certain differentials according to housing costs. In Denmark we had a means test pension with different rates according to the different cost-of-living areas, representing not just rental cost differentials but also the cost-of-living differentials.

Mr. Chairman, in view of the time remaining, I suggest that we now invite questions on the memorandum or on my remarks.

Mr. MacINNIS: Mr. Willard, you mentioned a short time ago that contributions were collected from persons from the age of sixteen to the age of sixty-seven; should not that have been from age eighteen to age sixty-seven?

The WITNESS: I stand corrected on that point, sir.

Mr. FLEMING: That is to say, Mr. Willard, that at age sixty-six contributions end on the part of the individual?

The WITNESS: That would be the last year of contributions, yes.

Mr. CROLL: I am intrigued by the statement in the second paragraph on page 9:

Failure to pay contributions does not result in forfeiture of the right to receive a pension.

The WITNESS: That is a very important point, Mr. Croll. That indicates that they do not keep individual records of the contributions made by individual contributors for purposes of pension eligibility. In other words, the collection of contributions is made by the taxing authority and they do the collecting as a part of their normal income tax operations. It is assumed by the pension authorities that if an individual was liable for contributions the taxing authority would have collected the money, and that avoids the necessity of keeping records on each individual for pension purposes and checking back to see whether or not the contribution actually had been made. It throws the onus upon the taxing authority to make sure that that part of the job is adequately carried out.

Mr. BROWN: If that is so, how would it apply in this country in the case of farmers, for instance, because farmers generally do not pay income tax.

Some hon. MEMBERS: Oh, oh!

Mr. BROWN: Remember, I said generally speaking, and that is a fact.

Mr. KNOWLES: Hear, hear.

Mr. BROWN: The employee and the worker in a factory, for instance, will be taken care of, his collections will be deducted at source and his contributions to any such scheme can be counted on, but there are many people like farmers, who do not pay income tax and there is no check on them to see that they have made their contribution; is not that the fact?

The WITNESS: I would suggest that it would depend upon the type of contributory scheme you had.

Mr. BROWN: Well, this type of scheme.

The WITNESS: For instance if you had a type of scheme that has a lower basic exemption than under your normal income tax arrangement—such as they have in Australia—you would get a broader tax base. Similarly, if you had a contributory scheme such as they have in New Zealand where they tax every pound of income, then the burden would be thrown on all those who are gainfully employed, farm and non-farm, as well as those who have income from other sources.

Hon. Mr. Fogo: I understand from what has been said that failure to pay the income tax does not debar a person from benefits. What provision is made to see that contributions are paid?

The WITNESS: Under the Swedish scheme the amount of annual pension contribution is based upon income tax assessment, with a requirement that it must not be less than 6 crowns nor more than 100 crowns a year. Let us assume that a person did not pay any income tax for a year. For instance it might happen that in one year he was ill. This would not affect his entitlement to a pension.

Hon. Mr. Fogo: Have you a table of the basic exemptions of income tax under the Swedish plan?

The WITNESS: I wonder, Mr. Chairman, in connection with this question of income tax and basic exemptions if we could not include this material along with the information on other countries that we are preparing for the com-

mittee. I think it would conserve the committee's time if we could take a look at the data for these countries all at the one time.

Mr. CROLL: Yes.

The CHAIRMAN: It was to be secured for two countries but I understand that you will include all countries in your table.

The WITNESS: Yes, Mr. Chairman.

Mr. KNOWLES: Let us have it understood now. The other day we understood that it was to be supplied with respect to Australia and New Zealand, but now I understand that in order to save time the answer to my question would also include similar information with respect to these other countries. Is that right?

The CHAIRMAN: Yes, and the table Mr. Willard is to prepare will include all the other countries.

Mr. FLEMING: Let us be sure of that. I understood that Dr. Davidson was going to prepare a somewhat complicated table for us and now this additional information will be included and it will be referable to all the countries we are studying.

Dr. DAVIDSON: There are two requests which I take it are separate requests?

The CHAIRMAN: Yes.

Dr. DAVIDSON: One is the information with respect to Australia and New Zealand, and now there is this additional request for information from other countries respecting the relative incidence of the social security tax and the income tax in each country.

Mr. CROLL: Yes.

Dr. DAVIDSON: The other table to which Mr. Fleming is referring is, as I understand it, a table which would give the highlights of the main features of the old age security plans themselves, and I would take it we would concentrate on the provisions in respect to age, disability—and questions of that kind—rather than questions specifically related to the relationship of income tax to social security contributions. My reason for suggesting that these be kept separate is that a great part of the table you referred to would of necessity have to be limited to the broad highlights whereas I think the committee will want some detail in respect to the relationship of income tax and social security contributions. It would be better to keep the two separate.

Mr. FLEMING: I am satisfied with that.

Mr. BROWN: There is no way in which a person can be barred from receiving the pension because of the fact that he at no period in his life paid income tax or made contributions?

The WITNESS: That is correct, sir.

Mr. FERRIE: Do people become of age in Sweden at eighteen?

The WITNESS: I am not sure, Mr. Chairman, as to what that age would be.

Mr. FERRIE: But he does have to pay contributions.

The WITNESS: They are liable to pay on taxable income from age eighteen up to and including age sixty-six.

The CHAIRMAN: There are many young people in this country and in other countries who are eighteen and have to pay income tax.

Mr. FERRIE: Oh, yes.

Mr. SHAW: On page 7 reference is made to the contributions from national and local governments, and I notice there is a reference to the fact that 17 per cent of the contributions are from insurance contributions. I do not just get the full significance of that 17 per cent.

The WITNESS: That 17 per cent from insurance contributions are pension contributions which individuals have made. These are the people between age eighteen and age sixty-six, inclusive, who have contributed the pension contribution on the basis of their taxable income. The amount raised is put into the national pension fund and, in addition to that amount, the national government, contributes from general revenues; and the local governments contribute from their general revenues; the 17 per cent relates only to the contributory aspect of the scheme.

By Mr. Croll:

Q. And the 3·8 is merely investment interest?—A. On the reserves of the fund.

Q. Derived from the investment of that fund, and that amounts to 3·8 per cent?—A. That is correct, sir. They set up a national pension fund and the pension contributions are paid into that fund along with contributions of the national and local government. A reserve has accumulated and it remains in the fund.

Q. Isn't that the same as the British government; or, perhaps, if you do not want to discuss that forget about it.—A. There are three different schemes for the aged in Britain.

Q. All right, just leave that question.

By Mr. Knowles:

Q. Mr. Chairman, I do not want to anticipate the information Dr. Davidson is going to give us in that table dealing with the various systems, but this has struck me about the four countries we have studied thus far, and I just wanted to ask this question: Is it not the case that there is just one point in common among the four systems, Australia, New Zealand, Sweden and Denmark, the fact that the old age pension is an amount provided by law in some way or other, not related to the amount of contributions paid in?—A. That is correct.

Q. I think that is a rather important point in respect to the schemes in operation in these four countries, and I think we will find that is not the case when we study the system in the United States.—A. I think it is of interest that in the case of Australia they have a means test pension as a part of a contributory scheme. In the case of Denmark they have a means test pension as a part of a non-contributory scheme. In the case of New Zealand they have a contributory scheme with a means test pension, and a non-means test benefit. In the case of Sweden they have a contributory scheme with a non-means test basic pension and a means test housing supplement and wife's allowance.

Q. But the amounts in all cases are not based on what you might call the insurance principle; they are based on what is determined by law.

The CHAIRMAN: What you would call fixed or flat.

Mr. KNOWLES: You could hardly call it a flat rate, could you?

The CHAIRMAN: No, it is a fixed benefit.

Mr. KNOWLES: The amount a person will have in his old age is not determined by the amount he may have contributed through a social security tax or in any other way so far as those four countries are concerned.

The WITNESS: I think that that is a significant point, Mr. Chairman.

The CHAIRMAN: Yes.

Dr. DAVIDSON: If I might interject, Mr. Chairman, there is a further point you have to put alongside of that which is that in two of these countries while the benefits are not related to contributions they are completely means test benefits. In the case of the two other countries, also, the benefits are not

related to the contributions but in the case of New Zealand, there is still a means test; and in so far as Sweden is concerned there is still a partial means test. Those two points are quite significant to your statement and must be kept in mind.

By Mr. Benidickson:

Q. Can you tell us more about this voluntary pension insurance? Does the person who subscribes to such a scheme receive any addition to the standard benefits based on a means test? Is it in any way similar to the annuity scheme such as we have it here in Canada?—A. I would judge that it is a scheme somewhat similar to our annuity program. It is administered by the National Pension Board, the same administrative authority which administers the old age benefit.

Q. I would take it then that it is exempt from the calculation in connection with their means test procedure if it is a supplement to the other pension?—A. As far as I know that is correct.

By Mr. Croll:

Q. That is very important. The answer to that question is very important in the light of conditions in this country, I mean probable conditions. Are you quite clear on that, or would you like a little more time to obtain for us a full answer to that question?—A. I should mention that in the case of annuity programmes it is a question of whether they tax the contributions or the benefits. Most governments try to avoid taxation of both. In some countries the contributions are taxed, and when the benefits come along they are not taxable. In other countries, that procedure is reversed. With regard to your question whether the income from the voluntary pension scheme is included or excluded as income under the means test I shall try to obtain for you a definite statement.

By Mr. Benidickson:

Q. Can you find out if there is a maximum that might be disregarded in connection with the means test calculation?—A. Yes, sir.

By Hon. Mr. Fogo:

Q. In regard to housing settlements, am I right in assuming that in the appropriate rental cost group there is both a minimum and a maximum settlement and that the minimum would be paid in any event?—A. It is on a means test, and the maximum amount, for instance, for a single person in rental cost group 1, is 150 crowns: In other words, as far as I know the supplements that have been set out are maximum amounts that are reduced according to the outside income of the individual. Illustrations are set out in Appendix I, sections A, B and C.

You will note that with a single pensioner, as his outside income goes up, the amount of the rental cost supplement decreases. The formula is stated at the foot of page 5 of our text and it defines that the settlement is reduced by one half of outside incomes in excess of 400 crowns per year for a single person, and 600 crowns per year for a married couple. No deduction is made for aid from relatives or for payments, up to a specified limit, from private pension plans.

Appendix I goes into some detail to give an illustration to show you the picture of the general pension, the ordinary housing settlement and with mention of special housing settlements.

By Mr. Croll:

Q. What is the historical or other reason for the emphasis placed on housing supplements in relation to the exclusion of other supplements that we have heard about in the other plans?—A. In a number of European countries there has been an effort, where that benefit has been paid, to attain individual adjustments to individual needs by providing a tailor-made benefit through the provision of housing and other supplements.

In the case of Denmark, you have supplements along with a means test scheme; whereas, in the case of Sweden, you have supplements tied on to a contributory non-means test pension scheme.

Q. I think you have missed my question. I asked why the emphasis in the Swedish scheme?

The CHAIRMAN: I believe Mr. Willard is coming to that in his answer.

Mr. CROLL: Oh, I am sorry.

The WITNESS: I am sorry, I have no comments that would be helpful on that question.

Dr. DAVIDSON: I have one or two points. One is the fact that Sweden is popularly understood as being one of the most housing conscious if not the most housing conscious of the countries in the western European world. The second point is this: it is interesting to note that the Beveridge report in England in 1943 went into this question of possible variations on a regional basis in terms of social security benefits to be paid under the Beveridge plan, and Lord Beveridge after a detailed analysis of the question came to the conclusion that there wasn't much point in providing for regional variations in so far as most of the elements which go into the subsistence cost of the average individual are concerned, but that the greatest element of variation related to the question of shelter. And Lord Beveridge in his report did recommend a regional differential in the different parts of the country taking into account the different levels of social security for individuals in receipt of various social security benefits.

As I understand it, that recommendation has not been carried out in the British legislation but it is an interesting confirmation of the same point that is actually carried into the Swedish legislation.

Mr. CROLL: Thank you, Doctor Davidson.

By Mr. Knowles:

Q. May I ask Mr. Willard a question in respect to the statement he made while he was talking about Sweden. If I understood him correctly he said that he was dealing with the fact that the population in Sweden was an aging population and that the same thing was the case in Canada. And then he said that our working population was growing smaller?—A. I said "relatively".

Q. I wonder if you would comment on a statement which bears on that matter, a statement taken from a book with which I have no doubt you have slept more than I have, the D.B.S. Bulletin No. F-4 entitled The Future Population of Canada wherein on page 31, after summing up the trend up to 1971, three conclusions are drawn which are set out in a paragraph, the first one being that:

First the potential labour force continues to increase. . . .

As the population decreases, and the older group increases. In other words, there are increases in two brackets, and decreases in the third. And D.B.S. says:

This trend, together with the increase of productive workers, suggests that the burden of dependency will be spread over a greater number

of people, and hence the effect of an increase in the aged population with the heavier burden which it entails, will not be so costly a problem per capita.

—A. As much as it otherwise would have been if the working population sector had not been increased?

Q. That is not what D.B.S. said. However, I am not arguing the point. But I do think there is something to be said for what D.B.S. has pointed out, and the fact that the aged population is increasing at the time noted and that the working population is also increasing, and that it may be possible between that and other methods to meet the problem.

The CHAIRMAN: Is it increasing with the development of the country, or not increasing proportionately? Do they not mean that?

Mr. KNOWLES: No. The figures are all set out. This is a projection of dependency in Canadian population as to an increase in our total population and as to changes in the various age brackets.

Mr. MACINNIS: I think Mr. Knowles is leaving out the fact that the increase in the labour force has the same relation to economic activity in the country, in that if the economic activity declines then the labour force declines; that is, the number of people who are considered as being in employment.

Mr. KNOWLES: No. The figures I quote from do not deal with the working force; they deal with the total number of population.

The CHAIRMAN: One might believe that we were in a C.C.F. caucus.

Mr. MACINNIS: If the labour force is greater at a time of economic prosperity than the labour force of the same population at a time of economic depression?

The CHAIRMAN: Until you are able to hold a caucus and clear the thing up, I shall not ask Mr. Willard to comment on it.

The WITNESS: I did not make any comment to the effect that the labour force was not increasing. It is increasing and will continue to increase. But I did say that our experience has been that the number of older persons in our population has been increasing relative to our working force and relative to the total population.

The other thing I would hasten to add is that although our costs are rising, it is to be hoped and to be expected that our average man-hour productivity will increase as the years go by and we will be able, even though the working force may be relatively smaller, to carry a heavier burden. I think I should add that in all fairness.

The CHAIRMAN: Are there any more questions?

By Mr. Shaw:

Q. This may be a strange sort of question, but must we not take into consideration the fact that in a country like Sweden where more than 60 per cent of the population is located in rural areas, that a smaller percentage of those people are likely to require benefits under a scheme than in another country where possibly 70 per cent of the people are located in industrial areas where it is conceivable that a greater percentage may require old age benefits upon reaching the age of 65? Must we not take that fact into consideration when evaluating schemes in these various countries?—A. I would think, Mr. Shaw, that the degree of industrialization would be an important factor in determining the retirement age. But I would also add that the mechanization of agriculture in some countries has posed an increasing problem with regard to the retirement of agricultural workers. That does not apply so much in a country such as Denmark, but it does, to some extent, in a country such as Canada; and it is a fact that a different occupational composition of the population may make a difference in the average retirement age.

Q. I had this fact in mind: that usually a person on a farm will remain active in the sense that he is engaged in production as compared with the situation in an industrial community.—A. I would think that would be generally correct.

By Mr. Picard:

Q. On page 1 you mention that pensions for the aged and the invalids have been combined. I would like to get for Sweden the same information that you gave me for Denmark. At what age are pensions paid to invalids in Sweden?—A. They are payable at the age of 14 if the person is not working.

The CHAIRMAN: There is no family allowance?

The WITNESS: Yes, there are family allowances.

By Mr. Picard:

Q. At the age of 14 for invalidity benefits. Now, what are the rates?—A. They are the same as for old age.

Q. With the same benefits for housing and so on? I would like to get an over-all picture such as you gave a moment ago for Denmark.—A. The housing supplement applies in the case of the invalidity benefits; that is correct. The rates are the same as for the old age which are set out in the memorandum before you.

Q. Have you got any figures as to the proportion of the population enjoying invalidity pensions in Sweden?—A. No, but I would be glad to obtain them for you.

Q. While you are doing that for Denmark and Sweden, would it be possible for you to include in your table the two countries we have already looked into, Australia and New Zealand.—A. Yes, sir.

By Mr. Shaw:

Q. May I ask if it would be possible for Dr. Davidson to take into account matters that I have mentioned in drawing up this table showing the comparative features of these schemes, and to show the percentage of the population residing in rural areas and the percentage residing in industrial communities in each case?

Dr. DAVIDSON: I would be glad to provide a line on the table showing that. But I would also point out that there is a difference in the interpretation of what is urban and what is rural population as between different countries. You might be surprised to see what we in Canada include in the definition of a resident of an urban area. I was surprised myself and I know there are differences of that kind which have to be kept in mind when you are assessing the figures which will appear on this table.

Mr. KNOWLES: Half of the villages in British Columbia are called cities.

By Mr. Ferrie:

Q. May I ask what is the buying power of the crown? How does it compare with the buying power of the dollar?—A. Do you not mean the current exchange rate?

Q. Yes.—A. The current exchange rate is 28 cents Canadian for one Swedish crown.

Q. Do you think you can buy as much in Sweden for a crown as you could here for a \$1?

The CHAIRMAN: I believe, Mr. Ferrie, that the other afternoon Mr. Willard pointed out the very great difficulty there is in trying to analyse or weigh the different purchasing powers of the various denominations.

MR. FERRIE: Surely, but it would make a big difference?

The CHAIRMAN: It is impossible.

By Mr. Cannon:

Q. I notice that Mr. Willard mentioned family allowances. Are family allowances paid in these countries of Sweden and Denmark?—A. They pay family allowances in Sweden and Denmark. Do you wish to have further information concerning these allowances?

Q. No. I just wanted to know whether or not they paid them.—A. I could make it available to the committee along with the other information.

Q. We might as well have it then while you are at it.

By Mr. Picard:

Q. May I ask Mr. Willard, when he prepares that table about the various countries, to include the costs; I mean the costs for the last year, let us say, 1948 or the last year they had to pay them in these different countries for the various schemes, and for the number of pensioners?—A. Yes, we will try to give you complete information on the invalidity pensions and also to set out the provisions for family allowances in those two countries, if you wish.

MR. KNOWLES: As one who has played some part in giving these research people a substantial amount of work to do, I think it should be noted that we are giving them so many orders that we should take a few days off so that they may catch up with them.

The CHAIRMAN: I was just about to speak about this matter if the questions are over on Sweden and Denmark.

The WITNESS: I would like to indicate in conclusion that in the case of Denmark and Sweden, the source material is much more limited and we have had more difficulty in preparing what little information we have placed before you because a good many of our source books and other data are in a foreign language.

By Mr. Ferrie:

Q. Is it not true that in Denmark and Sweden the standard of living would be much lower than ours?—A. I do not feel I can make any useful comment on that question.

Q. It must be so because of the amount of money they have got here.

MR. FLEMING: I understand that Sweden has quite a high standard of living.

MR. FERRIE: They must be able to buy more for their money over there than we are able to buy with ours, otherwise they could not exist on that money.

The CHAIRMAN: Now, gentlemen, the United States systems will be studied in two parts. There will be two memoranda. The first memorandum will deal with the old age assistance means test. That memorandum will be ready tonight and it will be delivered to the members in their mail boxes tonight.

MR. MACINNIS: Will that be before or after twelve o'clock?

The CHAIRMAN: It will be between 5 and 8 o'clock. With regard to the second part of the United States Old Age system, the service insurance, it is quite possible that we may not have it before Monday. So, under the circumstances I suggest that there be no sitting tomorrow and if we have the second part only on Monday it would be useless to sit then, so we might as well not sit tomorrow. Personally I do not care.

Mr. FLEMING: There would be no objection to dispensing with tomorrow's sitting, I am sure, after the week we have had with committees.

The CHAIRMAN: We shall not be sitting tomorrow but we shall sit on Monday and consider the first part of the United States system; then on Tuesday we will go on with the second part. It will have been distributed at the latest by Monday afternoon. Since the amount of material which has been asked for involves such a large amount of research work, I do not believe that the answers and the tables could be made available before we have started our hearing of witnesses from outside.

Mr. SHAW: As it is getting towards the end of the month, can you indicate, Mr. Chairman, how many communications you have received?

Mr. PICARD: Before you set the date of the next sittings, might I say that the Auditor-General who is supposed to appear before the committee on public accounts has told me that he has been asked to go to the United Nations to act as one of the auditors of the United Nations and therefore he would like to leave as early as possible. So he asked, if we did not finish with him on Friday, could we meet on Monday as well. We are to have a meeting this afternoon and another one tomorrow morning and Mr. Sellar has asked if it would be possible, if necessary, to arrange for a meeting on Monday afternoon as well. I say that knowing that there are many members of this committee who are also members of the public accounts committee, and I believe that Mr. Fleming would support my view, because I know he is a member of both committees. Therefore, could we not have our next meeting of this committee on Tuesday morning instead of Monday?

The CHAIRMAN: We will have to have one then because time is pressing. Is it agreed that we have our next sitting on Tuesday morning? We will have two sessions on Tuesday?

Agreed.

At 1 p.m. the committee adjourned until Tuesday, May 2, at 11.00 a.m.

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JOINT COMMITTEE OF THE SENATE
AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

TUESDAY, MAY 2, 1950

WITNESS

Dr. G. F. Davidson, Deputy Minister of Welfare, Department of National Health and Welfare.

OTTAWA
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1950



MINUTES OF PROCEEDINGS

TUESDAY, May 2, 1950

The Joint Committee of the Senate and House of Commons on Old Age Security met at 11.00 a.m. Honourable Senator J. H. King, Joint Chairman, and Mr. W. Benidickson, M.P., Vice-Chairman, were present. Hon. Mr. King presided. Later, in the course of proceedings, Mr. Jean Lesage, M.P., Joint Chairman, took the Chair.

Others present:

The Senate: Honourable Senators Burke, Fallis, Farquhar, Ferland, Fogo, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Beyerstein, Blair, Brooks, Brown, (*Essex West*), Corry, Cote (*Verdun-La Salle*), Croll, Ferrie, Fleming, Knowles, Laing, MacInnis, Macnaughton, Picard, Robertson, Shaw, Smith (*Queens-Shelburne*), Welbourn.

In attendance: Dr. G. F. Davidson, Deputy Minister, Department of National Health and Welfare.

Mr. Ashbourne requested that a correction be made in the printed proceedings of April 20, paragraphs 1 and 2 of page 103. (*See this day's Minutes of Evidence*).

Mr. Knowles also drew to the attention of the Committee an error in his remarks appearing on page 82 of the printed proceedings, line 3 of the sixth paragraph. (*See this day's Minutes of Evidence*).

Dr. Davidson was recalled. He presented a memorandum on Old Age Income Security Program—Old Age Assistance in the United States (No. 1).

It was agreed that the memorandum be taken as read and incorporated in the Minutes of Evidence.

Dr. Davidson was examined on the said memorandum, being assisted by Mr. J. W. Willard, Director of Research, and Messrs. John Sparks and C. D. Allen, Research Assistants in the Department of National Health and Welfare.

At 1.00 o'clock p.m. the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., Mr. Lesage, Joint Chairman, presiding.

Others present:

The Senate: Honourable Senators Fallis, Farquhar, Fogo, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brooks, Brown (*Essex West*), Cannon, Corry, Cote (*Verdun-LaSalle*), Croll, Ferrie, Fleming, Knowles, Laing, Macnaughton, Picard, Pinard, Robertson, Shaw, Smith (*Queens-Shelburne*), Weaver, Welbourn.

The examination of Dr. Davidson continued.

In the course of proceedings Mr. Benidickson, Vice-Chairman, took the Chair in the absence of Mr. Lesage.

At 6.00 p.m. the Committee adjourned until Wednesday, May 2, at 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
May 2, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 11 a.m.. Hon. Senator J. H. King, Joint Chairman, and Mr. W. M. Benidickson, Vice-Chairman, were present. Hon. Senator King presided.

The CHAIRMAN: Gentlemen, we have a quorum. I have to advise you that the co-chairman, Mr. Lesage, will not be present, but he expressed the desire that we continue. I suppose it will be your wish that we follow the procedure that has been adopted. We have before us this morning a report entitled Old Age Income Security Programs, Old Age Assistance in the United States. Would it be your wish that Dr. Davidson now proceed to deal with these programs?

Mr. ASHBOURNE: Before we take up the old age pension and security plan with regard to the United States, might I bring to the attention of the committee a correction in the record of proceedings and evidence of Thursday, April 20, 1950. At the top of page 103 there is a series of questions by myself containing a statement which is not correct and which I would like to bring to the notice of the committee as being incorrect. I said at the bottom of page 102:

Q. Am I correct in thinking that income of every old age pensioner is reviewed every year, annually?—A. That is a provision required under the law.

Q. I know that as far as Newfoundland is concerned—of course it is new for us as we did not have old age pensions before—but when the application was made, the applicant was required to state his income for the twelve months previous to the date of application?—A. That is right.

It seems to me, Mr. Chairman, that there is some omission in the remark because we certainly did have old age pensions, a certain form of old age pensions, in Newfoundland before we confederated with Canada, but not to the extent we have at the present time; and I would like to have a correction made in the proceedings of this meeting so that that will be placed in the record, because people reading this would probably think that in Newfoundland we had no old age pensions before. It might be advisable for members to have a copy of their remarks sent to them for correction before the proceedings are printed. Can that be done in this committee? I wish to have my remarks recorded and to have that correction made so that people will know that we did have a form of old age pensions there which was paid at the age of seventy-five years at the rate of \$6 a month to a single pensioner and at the rate of \$10 a month to a married pensioner; but a widow had to be aged 65 at the time of her husband's death to qualify for a pension. I am sorry to have taken up the time of this committee on this matter.

The CHAIRMAN: That correction will be noted in the record of today's proceedings.

Mr. KNOWLES: Might I also make a correction? On page 82 of the record for Wednesday, April 19, I am quoted as saying:

... because if you take the provinces from Quebec through to British Columbia the variation is greater;

I am sure that what I said was: "the variation was not very great;"

The CHAIRMAN: "Not very great." That shall be noted. We will proceed if there are no other remarks to be made.

Dr. G. F. Davidson, Deputy Minister of Welfare, recalled:

The WITNESS: May I suggest that at this stage in the record the committee authorize the document which is for consideration this morning, Old Age Income Security Programs, part I, Old Age Assistance in the United States, to be printed in extenso in the record, and my comments on this document will then follow on from that point.

Agreed.

By Mr. Knowles:

Q. Before this brief is placed on the record, I wonder if Dr. Davidson would look at the bottom of page 17 and see if there is not a typographical error there?—A. Yes, there is.

Q. Have you corrected it on the copy you turned in?—A. No, but it will be corrected on the proof.

Q. It says: "... even if an applicant's income is less than \$40 he is ineligible." There is a period there. That should be a comma, instead of a period after the word "ineligible".—A. That is right.

OLD AGE INCOME SECURITY PROGRAMS

OLD AGE ASSISTANCE IN THE UNITED STATES

RESEARCH DIVISION

DEPARTMENT OF NATIONAL HEALTH AND WELFARE

OTTAWA

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I INTRODUCTION

The Social Security Act of 1935 provided for the establishment of federal grants-in-aid for the purpose of enabling each state to furnish financial assistance to needy persons in the following three categories: individuals age 65 or over, dependent children, and the blind. The OAA program (Old Age Assistance) is essentially the responsibility of the several states, with the federal government providing a portion of the cost of assistance payments and of administration.

All the states, the District of Columbia, Alaska and Hawaii had established state-federal OAA programs by August, 1937. There has been a steady increase in the number of recipients and annual costs since the inauguration of the program, except for a slight decline in the number during the war years. In December 1936 about 1.1 million needy aged persons received assistance; ten years later this number had increased to nearly 2.2 million. By December 1947, recipients rolls numbered over 2.3 million persons and, in December 1949, some 2.7 million persons, or about 24 per cent of the population aged 65 and over.

The rise in the number of assistance recipients has been accompanied by mounting annual costs. For the initial year, which ended December 1936, the annual cost including administration was \$155.2 million; within a decade, annual expenditures mounted to \$886.7. For 1947, total outlays had risen to just over \$1 billion. This upward trend has continued, and in the fiscal year 1948-49, expenditures stood at \$1.3 billion.¹

A wide variation in assistance payments as between the state is an important feature of the OAA program. The definition of need and the extent to which the applicant's other income and resources are considered in determining the amount of assistance to be given, and the extent and nature of standards of assistance are matters in which individual states hold authority. These factors, together with the varying incidence of poverty as between states, the fiscal problems faced by state and local governments, as well as the nature and operation of state administrative policies, produce wide variations in the amount and adequacy of financial aid given to needy applicants. The wide variation in assistance payments is illustrated by the fact that, whereas the national average monthly payments to OAA recipients in December 1949 was \$44.76,² the state average monthly payments ranged from a low of \$18.92 in Mississippi to a high of \$77.90 in Colorado.

OAA, while originally conceived as supplementary or residual to the Old Age and Survivors' Insurance program (OASI), remains today, in terms of the level of payments and number of aged recipients, the major income maintenance program for the aged. The importance to the aged of the OAA program, in contrast to OASI, is illustrated by the fact that in December 1949 OAA recipients numbered over 2.7 million, whereas aged beneficiaries (retired workers and aged wives, aged widows and certain dependent parents) under OASI numbered about 1.9 million.³ The OAA program also provided supplementary assistance to beneficiaries under OASI. In a survey made in June 1948, an estimated 10 per cent of elderly OASI beneficiaries were receiving financial aid under OAA; this proportion ranged from two per cent in three states to a high of 35 per cent in another state.⁴

Average monthly payments and total disbursements under OAA are considerably higher than under OASI. The national average payment in December 1949 to OAA recipients was \$44.76 as compared to the national average payment to retired insured primary wage earners under OASI of only \$26.00.⁵ Furthermore, in the fiscal year 1948-49, OAA payments to recipients amounted to approximately \$1,259 million as compared to disbursements to aged beneficiaries under OASI of approximately 442.5 million.⁶

¹ For the fiscal year ending June 30, 1949.

² All monetary values in this bulletin refer to U.S. dollars. The current rate of exchange is approximately \$1.10 Canadian dollars for a United States dollar. This exchange rate is helpful in indicating what a United States cash payment would provide if the payment were paid to a recipient in Canada and is the only yardstick available for translating the payment into Canadian terms. It does not, however, measure in Canadian terms the actual purchasing power of a United States payment expended in the United States. Such a comparison involves not only the amount of the payment but also the relation of that payment to price levels and consumption patterns.

³ In addition, OASI monthly benefits were paid to some 792,000 persons (younger widows and children of retired or deceased wage earners). OAA recipients and aged beneficiaries under OASI now represent about 38 per cent of the population 65 and over.

⁴ See *Social Security Bulletin: Public Assistance Supplementation of the Income of Old Age and Survivors' Insurance Benefits*, Vol. 12, October 1949, p. 14.

⁵ The average monthly benefit to a retired worker will rise as the scheme matures.

⁶ In addition, about \$132 million was paid to dependent children of retired workers and certain younger survivors, and approximately \$32 million in the form of lump sum death benefits.

II. FEDERAL OLD AGE ASSISTANCE LEGISLATION

Title I of the federal Social Security Act authorizes the federal government to appropriate sums of money to enable each state to furnish financial assistance to aged "needy" individuals. The basic philosophy of the federal law is to provide federal financial aid and some federal guidance while allowing the states as much latitude as possible in the conduct of the programs.

The receipt of federal grants-in-aid by the states is conditional upon the fulfillment of certain federal requirements. Each state must submit, for the approval of the Federal Security Administrator, a plan for granting OAA. This plan cannot be approved if it contains any of the following provisions:

- (1) an eligible age requirement of more than 65 years; or
- (2) any residence requirement that would exclude from assistance any resident of a state who has resided in the state for five years out of the nine years immediately preceding application, and who has resided in a state continuously for one year immediately preceding application; or
- (3) any requirement that excludes a citizen of the United States.

The definition of need is left to the discretion of the state, limited only by the federal provision that the state, in determining need, must take into consideration "any other income and resources" of the applicant. In addition, the state plan must provide each applicant for OAA, who is denied assistance, a fair hearing before the state agency.

The federal act requires that the state plan must be in effect in all political subdivisions of the state and, if administered by these political subdivisions, must be mandatory upon them. Furthermore, the state plan must provide for financial participation by the state; this provision removes the possibility of the state passing the whole financial burden on to local governments and, at the same time, gives the state a financial interest in the program.

The federal act requires that the state plan must provide for certain broad standards of administration to ensure "the proper and efficient operation" of the plan. Such methods of administration must include the establishment and maintenance of personnel standards on a merit system and must be approved by the Federal Security Administrator; in addition, the state agency must make such reports as the Administrator may from time to time require.¹

The Administrator must approve any plan which meets with all of the above requirements.

At present, federal grants-in-aid are not available to states providing assistance to needy aged persons in public institutions, but the law has been interpreted to permit federal participation in grants to persons temporarily resident (usually not over three months) in a public institution for medical care. Originally, the purpose of this federal qualification regarding domicile was to discourage the use of alms houses or poor-farms by state authorities, not to preclude federal matching for assistance payments to aged persons in public hospitals as such.²

The federal government does not share in that part of an individual's assistance payment which is in excess of \$50, and does not share in assistance payments to recipients under age 65. With respect to the remaining state expenditures, the federal grant provides an amount equal to (a) three-quarters of the state expenditures on assistance payments, or three-quarters of the product of \$20

¹ See Chapter V of this bulletin for further discussion of federal administrative requirements, the organization of state and local agencies, and other administrative matters.

² The current public welfare bill now before Congress, (H.R. 6,000) provides for federal participation in payments to needy aged persons in state-approved medical institutions, excluding institutions for tuberculosis and mental disease.

multiplied by the total number of OAA recipients for the month, whichever is the lesser, plus (b) one-half of the amount, if any, by which such state expenditures exceed \$20 times the number of recipients for the month.

In addition to sharing in assistance payments, the federal government pays the state an amount equal to one half the amount spent by the state on what is determined by the Federal Security Administration to be the proper and efficient administration of the state plan; the amount so paid to the state can be used either for paying the cost of administration or for assistance payments, or for both. The federal grants for assistance payments and administration are paid to the states quarterly.

III. ASSISTANCE PAYMENTS

1. VARIATION IN ASSISTANCE PAYMENTS

(a) *Average Monthly Payments*

The definition of need, and the extent to which the applicant's "other income and resources" are considered in determining the amount of assistance to be given, and the extent and nature of standards of assistance are matters in which the individual states hold authority. Thus the nature and content of state programs, together with other social and fiscal problems to be discussed later, produce wide variation in assistance payments. The distribution of the average monthly OAA payments in December 1949, by states, is given in Appendix I (OAA) and summarized below. The national average for that month was \$44.76. It will be noted that all except five of the 51 states had an average monthly payment between \$20 and \$60 and that half of all states made average payments between \$40 and \$60. The lowest state average payment was about one fourth the average payment in the highest state.

<i>Average Monthly Payment</i>	<i>Number of States</i>
Less than \$10.00	0
\$10 - 19.99	1
\$20 - 29.99	9
\$30 - 39.99	9
\$40 - 49.99	18
\$50 - 59.99	10
\$60 - 69.99	2
\$70 - 79.99	2 ¹
\$80 and over	0
Total	51

Interstate variations in average monthly payments to recipients can be explained not only in terms of the variations in eligibility qualifications and state maximum assistance limits, but also in terms of the fiscal ability and tax effort of the several states, the extent and adequacy of payments made to aged beneficiaries under OASI from state to state, and the extent of need in these states. These factors are discussed later under their respective headings.

In general, the states with higher average per capita incomes are providing higher average monthly payments. The almost direct relationship between average state per capita income and average monthly payment is illustrated in Table I, by a comparison of these factors in six industrial states and in six largely agricultural states.

Source: Data from the *Social Security Bulletin*, Vol. 13, No. 3, March 1950. Table 15, p. 26

¹ These two states provide OAA to recipients under 65 years of age and there is no federal participation in payments to these recipients.

TABLE I

AVERAGE STATE PER CAPITA INCOME AND AVERAGE MONTHLY OAA PAYMENTS FOR SELECTED INDUSTRIAL AND AGRICULTURAL STATES

Industrial States	Average Per Capita Income 1945-47	Average Monthly Payment June 1947	Agricultural States	Average Capita Income 1945-47	Average Monthly Payment June 1947
New York.....	\$1,715	\$46.99	Tennessee.....	\$878	\$18.38
Connecticut.....	1,563	43.87	Georgia.....	832	17.04
New Jersey.....	1,476	40.76	N. Carolina.....	816	18.05
Rhode Island.....	1,406	39.66	Alabama.....	776	17.54
Massachusetts.....	1,396	50.60	S. Carolina.....	732	20.23
Pennsylvania.....	1,276	33.96	Mississippi.....	601	17.32

Source: Per capita income data from U.S. Department of Commerce, *Survey of Current Business*.

Monthly payment data from *Social Security Bulletin*, Vol. 10, No. 8, August, 1947.

With regard to the low average monthly payments in the low income states, the thirty states below the national average per capita income in 1945-47 made a relatively greater tax effort than those above, but their average payments to recipients continued to remain low. The difference in fiscal capacity as between states is one of the main factors accounting for the variation in average payments.

In a number of other federal-state programs, provision has been made for adjusting the federal share of cost in accordance with the per capita income of the state. However, in OAA the same federal fractional support is offered to both the low and high income states¹.

As well as interstate variations, monthly payments may vary within the political subdivisions of a state in accordance with the extent to which the state agency administering or supervising the program has established objective standards of eligibility and need, and made these mandatory upon the localities (if they are administering the program under state supervision), as well as the actual level of budgetary requirements of the applicant, and the consumer's price level in his community.

(b) Maximum-Minimum Limits

No maximum amount which may be paid to a needy aged individual is set out in the federal Act, but the sum of \$50 per recipient is the maximum monthly amount on which the Federal government will pay its proportionate share. This federal participating maximum does not vary with the cost of living. The cost of living index increased almost 40 per cent, between 1939 and 1946, whereas the federal participating maximum rose by only 12½ per cent.

The level and adequacy of assistance payments are greatly affected by state maximum limits. As of March 1950 there were only eleven states with no state legislative or administrative maximum. Nineteen states had established a maximum above the federal participating limit (\$50), fifteen states had a maximum of \$50, with provision to adjust this amount upward in accordance

¹ The Commissioner of Social Security in the 1949 Hearings on Public Assistance suggested a formula which would achieve the objective of granting federal funds "on a basis that considers the relative financial resources of the state . . ." This formula provided that ". . . the federal government would pay from 40 to 75 per cent of the cost depending on the relationship between the per capita income of each state to the national per capita income. The state with the highest per capita income would receive 40 per cent in federal funds. The state with the lowest would receive 75 per cent. All other states would receive interim percentages."

Under the latest public welfare bill (H.R. 6000), now before Congress, the method of distributing federal grants is by a formula similar to the present one, but it provides a larger degree of federal participation in state programs making smaller monthly assistance payments.

with changes in the federal law, and six states had maximums below \$50. Some states permit exceptions to their statutory or administrative maximums. In 1949, the state of Illinois set a new maximum on individual payments and made a new provision for reconsidering this maximum semi-annually in the light of changes in the consumer price index.

Seventeen states have set a minimum limit on state payments, ranging from \$2.00 in two states, (with a considerable number of states having a \$3.00 state minimum payment), up to a high, in one state, of \$60 per month, less income and resources. In this latter state, the minimum assistance payment becomes in effect a basic payment from which is deducted any income and resources; resources here include mainly cash or its equivalent in excess of \$200.

2. STATE DETERMINATION OF ELIGIBILITY AND AMOUNT OF PAYMENT.

(a) *Age, Residence, Citizenship.*

Federal law prohibits the state from establishing certain age, residence or citizenship qualifications which might disqualify an applicant¹. By March 1950 four states had no residence requirements whatsoever, twenty-two required one year of residence, three required three years, and the remaining twenty-two required five years of residence².

With regard to citizenship qualifications, twenty-nine states have no citizenship requirements, sixteen states require U.S. citizenship, four states specify citizenship or 25 years' residence in the state and the remaining two states specify U.S. citizenship or 10 or 15 years' residence³.

(b) *Definition of Need*

Few states define, with any exactness, the minimum standard of living below which an applicant is regarded as "needy". A "needy" person is usually defined as having "insufficient income or other resources to provide reasonable subsistence compatible with decency and health". The amount of payment to be provided is usually the difference between the applicant's income and resources and his basic subsistence requirements, as determined by the standards of the state or local administrative agency. Such a procedure is known as the Budgetary Deficiency method of determining need. In 25 states certain items, for example, food, rent, clothing, shelter, fuel, light, water, household supplies, etc., are made mandatory, and other items optional, in the determining of how much assistance an individual requires.

It should be noted that the assistance payment is not reduced, as under assistance programs in certain other countries, by the excess over a defined allowable income from all sources. Rather, an applicant's income from all sources, if any, is brought up to his own particular basic subsistence requirements by means of a monthly assistance payment. There is some tendency for states to establish the size of assistance payment by using generalized methods of determining budgetary requirements rather than by basing the payment on the needs of the particular individual. The character of the need provisions of state laws has a serious effect on the degree of equity achieved both within the state and between

¹ See Chapter II for federal requirements on age, residence and citizenship.

² The Social Security Administration recommends that the federal Act be amended to prohibit, in state plans approved under the Act, the inclusion of any residence requirement which excludes an individual who resides in the state.

³ State citizenship requirements are neither mandatory nor excluded under the Act and for some considerable time the Social Security Administration, as well as national welfare organizations, have recommended the abolition of any citizenship requirement under State OAA programs.

states. The administration of the needs provision and the necessity for establishing, at regular intervals, continuing eligibility for all recipients, is probably the most difficult problem facing state agencies.

"Assistance" is defined under the Act as "money" payments to needy aged individuals. This definition, restricting federal grants to reimbursing the states for money payments, has almost achieved the abolition of payments in kind. With regard to medical services for the needy aged, the fact that the federal grants to the states are restricted to cash payments made *directly* to individuals, has limited federal help in meeting necessary medical needs. However, medical expenses of the needy aged may be included in the monthly assistance payment, if the amount required has been estimated as a part of the recipient's needs and if the monthly payment remains within the federal participating maximum.¹ When federal help is not possible, the financial burden of medical care is then placed on the state and local areas, which consequently introduce variations in the availability and content of state and local medical services to the aged.²

(c) Resources of Applicant

The only federal requirement with regard to resources of an applicant is that a state, in determining need, must consider any other income and resources of an individual applying for OAA. Very considerable variation exists between states in terms of policy regarding the nature and amount of an applicant's resources to be so considered; that is, while income is in all cases taken into consideration in determining the amount of assistance needed, limitations on the amount of real or personal property that an applicant may have and the extent to which the relatives of an applicant are held responsible for his support, materially affect the amount of assistance provided. Thus, the policies regarding allowable resources are important in explaining the difference in the number of persons assisted and the amounts of assistance provided as between states.

(i) *Income Restrictions.* With the exception of three states, the maximum income beyond which an applicant will be considered as ineligible for assistance is not specifically established. As previously mentioned, the usual provision reads that an applicant to be considered as needy, must have insufficient income or other resources to provide reasonable subsistence compatible with decency and health."

(ii) *Real and Personal Property Restrictions.* Considerable diversity exists between the states in regard to state laws concerning real property owned, controlled or transferred to or by an applicant. In about 40 states, the value of various kinds of property that an applicant may possess is limited. Many states allow the ownership of a home ranging in maximum value from \$1,000 (for a single person) to \$6,000, while in other states no value limit is specified. Possession of property in excess of the allowable value usually makes an applicant ineligible for assistance. A few states require that needy individuals who own property must transfer the title or control of the property to the state or locality, in order to qualify for assistance; various devices such as liens, assignments, transfers, mortgages and trust funds are used to effect this end.

In general, the interest of the surviving spouse or dependent children is protected, by allowing them to continue to own or occupy the home left by the deceased and to benefit from certain other property of the estate. However, all except nine states retain the right to make recovery from the estate for all or part of the assistance paid to the deceased.¹

¹ See Chapter II for discussion of federal financial participation in state programs.

² The 1949 Recommendations of the Social Security Administration included federal sharing in state-local payments made directly to persons and agencies supplying medical services to needy aged recipients.

In the matter of personal property, applicants are usually allowed to retain cash and liquid assets ranging from a low of \$150 for a single person, in one state, up to a high of \$750 in another state. Frequently, state policy allows applicants to retain for their own use the cash surrender value of life insurance policies. The allowable limits on the cash surrender value vary considerably between states, ranging from \$150 to \$1,000. In addition, the retention of specific sums of money for the payment of burial expenses is frequently allowed; in one state, cash and other liquid assets up to \$500 may be retained by the recipient for burial purposes and for payment of costs of the last illness.

Beyond these stated real and personal property limits, which vary from one state to another as set forth above, an individual applicant is usually considered ineligible for assistance, or is considered eligible only at such time as his resources are reduced to the allowable limits.

(iii) *Illustrations of state property and income limitations.* The property and income limitations of four states are described below in brief to illustrate the considerable variation between states in the treatment of the resources of an applicant.

State A—Average monthly payment \$28.51 (December 1949). In state A, the law specifies that the sum of the assistance and any regular cash income cannot exceed \$480 a year. A person with a monthly cash income of \$40 per month therefore cannot receive OAA. Even if an applicant's income is less than \$40, he is ineligible, if he has a bank account of more than \$300, if he owns an automobile, or if he has a responsible relative (spouse, child or grandchild) whom the agency considers able to support him. Life insurance policies must usually be adjusted so that the recipient's only remaining equity is the cost of his burial.

State B—Average monthly payment \$35.83. In this state, cash assets may not exceed \$350. There is no specific requirement with regard to life insurance policies. No maximum is placed on real property considered as a homestead. Non-income bearing real property, other than the home, must be offered for sale at a fair market value; if such property produces income, that income must be considered in determining the amount of assistance required by the applicant and his dependents.

The real property of an accepted applicant is placed under a lien and claim is filed against his estate for recovery of all assistance paid to or on his behalf; this claim may not be asserted if the surviving spouse is occupying real estate, except in the case of fraud or unless other persons are trying to assert claim. As in most states, the applicant may not have sold his property within five years prior to the application in order to qualify for assistance.

State C—Average monthly payment \$47.32. Ownership by either the husband or wife or both of real property (other than the homestead) of life insurance with a cash surrender value over \$300, or of over \$200 in personal property (excluding household goods, wearing apparel and personal effects) disqualifies the applicant, in this state, unless these resources are transferred in trust. The allowable cash reserve (held in joint account with the administrative agency)

¹ The Federal Security Agency Annual Report, 1948, (p. 178) recommends that, as a condition of federal grants, states should be prohibited from acquiring transfer of title or control of recipients property to a state or locality, but such recommendation would not prevent the state from making recovery from the estate of the deceased recipient for assistance that he received, or from establishing the maximum amount of property that an individual could continue to retain and receive assistance.

may not exceed \$300 for an individual recipient or \$500 for an aged couple. A recipient may not convey or encumber his home without approval of the state agency.

Upon the death of the recipient, the total amount of assistance granted is allowed as a preferred claim against the estate of the deceased, after an allowance of \$150 for funeral expenses and the cost of the last illness. In making claim upon the estate, no claim is made against the home occupied by the surviving spouse or dependent. Personal effects up to \$200 are not subject to claim.

State D—Average monthly payment \$47.18. More liberal property and income restrictions are allowed in this state. An applicant's cash reserves may be as much as \$500 and he may possess life or burial insurance if the cash surrender or loan value is not more than \$1,000, and still be considered as eligible for assistance. Furthermore, an applicant may own, in addition to his home, other real property which does not have an assessed value in excess of \$1,500 for a single person or of \$2,000 for a couple, provided that this property is developed as a resource. The state act includes no lien and recovery provisions.

IV. FINANCES

1. SOURCES OF REVENUE

The OAA program is financed jointly by Federal grants-in-aid from general federal revenues and by state or state-local funds. In order to claim federal funds, a state is required to participate financially in the cost of OAA, but whether the non-federal share of the cost is met entirely from state funds or from both state and local funds, is determined by the State.

In 1947 a total of 35 out of the 49 states financed the state's share of OAA entirely from general revenues, with the remaining 14 states utilizing earmarked revenue funds only, or general and earmarked revenue funds. In the individual localities the real estate tax is the main revenue source.

2. TRENDS IN TOTAL COST

There has been a very substantial increase in the cost of OAA since 1937. In 1936-37 total OAA costs, federal, state and local, were about \$250 million. Costs increased steadily to \$500 million in 1940-41 to \$700 millions in 1944-45, over \$1 billion by 1947-48 and reached a total of \$1.3 billion in 1948-49. It is estimated that, at the present rate of growth, the cost will exceed an annual rate of expenditure of \$1.5 billion within another year.

Steadily increasing post-war costs are due to a number of factors, including the increasing proportion of persons aged 65 and over in the population, and the increasing number of needy persons in this population, the liberalized federal matching provisions which became effective in 1946 and 1948¹, and certain upward adjustments in assistance payments since 1947 to meet rising living costs, particularly with regard to food and clothing.

(a) *Federal*. Federal grants-in-aid have gradually accounted for an increasingly larger share of the total costs of providing assistance payments

¹ These provisions permitted broader recognition of need than may have existed for some time, particularly in the low income states.

to the aged. In the calendar year 1936 Federal grants amounted to 42·8 per cent of total OAA expenditures. This percentage of federal participation increased to 52·6 per cent in 1947 and to 54·8 per cent in the fiscal year 1948-49.

The federal share of total costs varies widely as between states but in 1947, all but seven states met more than half their total costs from federal funds and ten states, all southern, met between 60 and 63·7 per cent of the total cost from federal funds.

(b) *State and Local.* Since the inception of the scheme in 1936 the larger share of on-federal cost of OAA has been carried by the states, and the proportion shouldered by the localities is steadily diminishing. In the calendar year 1947, state and local funds met 41·2 per cent and 6·2 per cent, respectively, of the total assistance costs and administrative expenditures for OAA.

By 1948, two thirds of the states, either paid 100 per cent of the non-federal cost or received local contributions amounting to less than 1 per cent.

3. DIVISION OF COST

(a) *Federal Financial Aid*

(i) *Grants for assistance.* The present formula provides that the federal government shall pay three quarters of the actual monthly state payments, or of the product of \$20 multiplied by the total number of recipients whichever is the less, plus one-half of the difference between the total state assistance payments and the above product. In calculating total state expenditures, that part of any payment over \$50 to any individual is excluded.¹

To illustrate, the federal grant to a state which has paid \$625,000 in a month to twenty thousand recipients is calculated as follows. (It is assumed here that no individual receives a payment of over \$50). The product of \$20 multiplied by 20,000 is \$400,000. The remaining state payments thus amounted to \$225,000. The federal grant is therefore three quarters of \$400,000, i.e., \$300,000, plus one-half of \$225,000, i.e., \$112,500, to a total federal grant of \$412,500. The federal grant in this state would thus represent 66 per cent of total assistance payments.

The federal share of expenditures varies from state to state depending upon the level of state payments, but the maximum amount that the federal government may contribute is \$30 of the state average payment per recipient; that is, three quarters of the first \$20 which is \$15, plus one-half of the remainder (\$30) up to \$50, or an additionnal \$15, making a total of \$30. Actually no state receives as much as \$30 per recipient since all states make some payments under \$50.

The amount and per cent of Federal funds in state average monthly payments of various size, is shown in Table II. Since just over two thirds of the States in December 1949 made average monthly payments of less than \$50, Federal participation ranged from about 60 to 75 per cent in these States.

¹The original federal formula stipulated the federal government would pay each state 50 per cent of the aggregate of individual payments not including such portion of the payment to any individual as exceeded \$30; that is the maximum federal payment in the case of each needy aged individual was \$15. The 1939 amendments continued the 50-50 matching formula but the total sum on which the federal government would pay its share (one-half) was increased to \$40. The Social Security Act amendments of 1946 increased the federal participating maximum to \$45 and changed the fractional formula from a 50-50 matching basis, to two thirds of the first \$15 of the average payment in the state, multiplied by the number of recipients, plus one-half of the remaining amount up to \$45.

TABLE II

FEDERAL CONTRIBUTION UNDER PRESENT LAW, BY AMOUNT AND PER CENT OF STATE AVERAGE
OAA MONTHLY PAYMENTS OF SPECIFIED SIZE

State average monthly payment ⁽¹⁾	Federal Contribution	
	Amount	Per cent of Total
\$20.....	\$15.00	75
\$25.....	17.50	70
\$30.....	20.00	67
\$35.....	22.50	64
\$40.....	25.00	62
\$45.....	27.50	61
\$50.....	30.00	60
\$60.....	30.00	50
\$70.....	30.00	43

Source: Report Number 1300, Committee on Ways and Means on Social Security Act Amendments of 1949, House of Representatives, 81st Congress, 1st Session, Washington, 1949.

⁽¹⁾ State average for federal matching purposes includes all payments of \$50 or less, and in the case of larger payments only the first \$50.

(ii) Grants for Administration. In addition to grants to the states for assistance payments, the federal government meets one-half of the state costs of the "proper and efficient" administration of a state program. The state has an option as to whether this grant shall be used to pay the cost of administering the programs or for Old Age Assistance payments or for both, but the grant may be used for no other purpose.¹ For the fiscal year 1948-49 state administrative costs represented 5.3 per cent of the assistance payments.

(b) *State-Local Finance.* The extent to which state-local funds are made available to finance OAA programs is the product of two major factors, one social and the other fiscal in character. The character of state-local finance is affected by the social policy within the state as shown by the extent and recognition of need, and by the political weight given to the aged program as compared to other state-federal or state-local programs for needy persons and other governmental programs at the state level. Important as well, is the extent to which a state's tax effort and tax ability affects state-local participation in the program.

(i) *State Tax Effort and Ability.* Under the present federal matching formula where federal funds meet three quarters of the first \$20 paid to the recipient, a state with low average payments receives a greater proportion of federal grants than does a state making high average payments. "The present aid formula by offering the same fractional support to all states, takes no direct or systematic account of differences in their (fiscal) ability."² On the whole the poorer states (with a relatively greater number of needy persons) make a substantially greater effort to tax what tax sources are available but, in view of the low per capita income in these states, the actual tax yield, and therefore the amount available for state programs, including OAA, is smaller in the aggregate, and the assistance payments less adequate, than in high income states.

¹ Under the original Act the federal share to help meet state administrative costs was calculated as 5 per cent of the amount the state was entitled to receive under the 50-50 matching formula for assistance payments.

² Johnson, Byron L., "The Principle of Equalization Applied to the Allocation of Grants-in-Aid", Bureau of Research and Statistics, Social Security Administration, (Bureau Memorandum No. 66), Government Printing Office, September 1947, p. 79.

V. ADMINISTRATION

1. FEDERAL

The OAA program is essentially the responsibility of the several states both with regard to the detailed content of the OAA law and its administration. Certain federal requirements, however, are made conditional upon the receipt of Federal grants-in-aid. These requirements are outlined briefly below, with the exception of those pertaining to age, residence, citizenship, and state definition of need which have been previously discussed.

(a) Federal Requirements

To receive federal aid, a state must submit to the Federal Security Administrator for his approval, a state plan, based upon state enabling legislation, and setting out its administrative policies and procedures. The plan must conform to federal requirements and, when approved, has the effect of a contract between the state and the federal government.

The plan must be in effect in all political subdivisions of a state, and must either provide for a single state agency to administer the program or to supervise the administration of the program. If the plan is administered by the local areas of a state, (usually a county) state policies and procedures are mandatory upon the local areas.¹ The federal Act further requires that a state plan must provide for financial participation by the state but does not define in what manner or to what degree state or state-local participation is to be effected.²

Since the 1939 amendments to the Social Security Act, the Social Security Administration has had an important control over state administrative standards through a continuous administrative review of operations, so as to ensure "the proper and efficient administration" of the state plan. The federal administrative review is assisted by the requirement that a state must report on operations on such forms and containing such information as is required by the federal authority. Apparently this control has been exercised on a flexible and consultative basis. Although the federal government has no authority over any individual employee, the states are required to establish merit systems for personnel under this program; in addition, the federal government, as a part of the administrative review, is concerned with assisting the states in the broad personnel problems relating to examination, certification and selection procedures, salary classifications, qualifications, and so on.

One important federal provision which has received great emphasis under this "needs" test program is the requirement that the state plan must provide, to any individual whose claim for OAA is denied, an opportunity for a fair hearing before the state agency. This provision has received great emphasis, as it is believed such appeal machinery is essential to facilitate the program's predominant philosophy of providing assistance in a manner which recognizes an applicant's right to assistance if he is in need, which provides such assistance in such a manner as to encourage the dignity and self respect of the individual and finally, recognizes his right of appeal if denied assistance. This democratic safeguard of the right of appeal is further supported by the federal requirement that a state must restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of

¹The Social Security Administration has recommended for some time that OAA as well as the other categorical assistance programs under the federal Act, together with state programs of general relief, be administered by one state agency, and at the local level, by one local agency or branch of the state agency.

²The Social Security Administration has recommended the elimination of state laws which require a fixed percentage of assistance cost to come from federal, state and local funds and that the state, as a condition of plan approval, should apportion federal and state funds among localities in accordance with their need for funds.

OAA. The appeal is to the state agency, not to a local agency. This provides for a uniform appeal procedure within the state and reduces possible partisan attitudes on the part of the local administrative agency; however, fair hearing procedures and standards are as yet not uniform in all states.

(b) Administrative Agency.

The Social Security Administration through the Bureau of Public Assistance, and the ten regional offices of the Social Security Administration, is responsible for ensuring that the states fulfil the federal requirements upon which federal grants-in-aid are conditional. The Bureau, through its regional staff, makes available continuing technical guidance and professional consultation to state agencies on all phases of their public assistance programs, in order to promote efficient operation and to improve the quality of service. Consultative services are available to the states on such matters as objective standards for determining need and amounts of assistance, methods of staff development and research, as well as to assist the state agencies with administrative and research problems. The information acquired through such services is valuable to the federal government in establishing its long-range policies.

A continuing administrative review is also conducted by the Bureau, to give advice and counsel to the states on request, to analyse administrative operations and make recommendations as to the amount of federal grants, and to negotiate with the states in the rare case when a state plan has been altered in such a way as to threaten the continuance of federal support. In addition, federal experts in specialized areas of public assistance (e.g., medical care research) are made available on loan to state agencies.

2. STATE-LOCAL

All states, in accordance with the federal requirement, either administer their OAA programs through state and regional or district offices, or supervise the administration of the local agencies providing OAA.

A considerable degree of administrative integration has been achieved between state and local agencies. "At both the state and local levels, at present, (1948) one agency is responsible for the three special types of public assistance (Old Age Assistance, Aid to Dependent Children, Aid to the Blind) in all but nine states."¹ Furthermore, in a great majority of states, these programs are administered through one office (either state or local) in all localities of the state. There are over 3,000 local offices of state or local agencies, in the U.S., usually established on a county basis; these offices assume direct operational responsibility.

Generally speaking, the executive control of a state agency is held by a state Board or Commission which usually holds policy formulation and advisory functions, and acts to refine, interpret, and advise on policy matters as defined by the state legislature. In about a quarter of the state agencies, the actual administrative function is given to the state board or commission, while in other states, the commissioner or executive officer performs this function under the Commission or Board.

In most of the states, the program is administered by local offices (county) under the supervision of the state agency. The local agency is a Board or Commission with a director or supervisor, in all but four states.

¹ Federal Security Agency, Annual Report, 1948, p. 194.

OLD AGE ASSISTANCE

APPENDIX I

OLD AGE RECIPIENTS AND PAYMENTS TO RECIPIENTS, BY STATE, DECEMBER 1949

State	Number of Recipients	Payments to Recipients	
		Total Amount	Average
Total ⁽¹⁾	2,735,987	\$122,457,332	\$44.76
Alabama.....	77,230	1,606,171	20.80
Alaska.....	1,547	90,347	58.40
Arizona.....	12,566	664,726	52.90
Arkansas.....	60,657	1,519,213	25.05
California ⁽¹⁾	272,706	19,291,953	70.74
Colorado ⁽¹⁾	49,417	3,849,023	77.89
Connecticut.....	18,502	1,091,172	58.98
Delaware.....	1,617	46,094	28.51
District of Columbia.....	2,777	117,579	42.34
Florida.....	67,273	2,715,740	40.39
Georgia.....	96,806	2,210,648	22.84
Hawaii.....	2,379	76,502	32.16
Idaho.....	11,189	525,259	46.94
Illinois.....	128,639	5,703,843	44.34
Indiana.....	51,185	1,834,131	35.83
Iowa.....	49,081	2,399,841	48.90
Kansas.....	38,364	1,934,147	50.42
Kentucky.....	61,079	1,290,595	21.13
Louisiana.....	121,076	5,712,329	47.18
Maine.....	14,515	626,559	43.17
Maryland.....	11,930	442,456	37.09
Massachusetts.....	98,091	6,417,795	65.43
Michigan.....	98,743	4,609,199	46.68
Minnesota.....	55,908	2,749,958	49.19
Mississippi.....	61,552	1,164,646	18.92
Missouri.....	128,598	5,555,813	43.20
Montana.....	11,547	601,708	52.11
Nebraska.....	23,919	1,045,298	43.70
Nevada.....	2,557	138,094	54.01
New Hampshire.....	7,272	319,202	43.89
New Jersey.....	24,243	1,186,691	48.95
New Mexico.....	9,976	358,718	35.96
New York.....	119,293	6,458,554	54.14
North Carolina.....	57,940	1,258,788	21.73
North Dakota.....	8,858	419,162	47.32
Ohio.....	127,095	5,944,570	46.77
Oklahoma.....	101,137	5,268,229	52.09
Oregon.....	23,332	1,230,142	52.72
Pennsylvania.....	92,976	3,700,729	39.80
Rhode Island.....	10,156	466,831	45.97
South Carolina.....	39,527	896,490	22.68
South Dakota.....	12,117	472,892	39.03
Tennessee.....	62,055	1,921,409	30.96
Texas.....	219,609	7,495,196	34.13
Utah.....	10,097	456,458	45.21
Vermont.....	6,713	235,010	35.01
Virginia.....	18,939	399,252	21.08
Washington.....	71,936	4,811,524	66.89
West Virginia.....	25,578	695,047	27.17
Wisconsin.....	51,550	2,200,935	42.70
Wyoming.....	4,174	230,764	55.29

Source: *Social Security Bulletin*, Vol. 13, Number 3, March 1950, Table 15, p. 26.

⁽¹⁾ The data includes 16,654 recipients under 65 years of age in California and 3,480 in Colorado, and also, the payments to these recipients, for which federal grants are not available.

THE WITNESS: This morning and this afternoon we are going to endeavour to cover the largest and the most complicated system of old age security of which we have any information, and there is one thing that I think I should say from the outset with regard to the United States program: it does not come within that category of program that Mr. Willard referred to last week when he pointed out the difficulty of getting full and adequate information in respect to the programs in effect in Sweden and in Denmark. There is certainly no scarcity of information available for study in respect of the United States program: in fact, one is confronted with the complete reverse of the problem, the very real difficulty of boiling down information with regard to a very complicated program into manageable proportions. To illustrate, I need only refer you to the record of the hearings which have been taking place in the United States within the last two years in regard to amendments proposed in respect to old age security programs in that country. We have, for example, before us the proceedings of the House of Representatives committee of a year ago, of which the volume I hold in my hand is only one volume; and we have coming out at the present time these additional volumes on the hearings being held in the Senate committee to discuss the same bill. The testimony in the case of the House of Representatives committee of a year ago, runs to over 2,500 pages of small type; and the incomplete record of the Senate hearings up to the thirteenth day of February this year runs to 1,130 pages, with a third volume of the Senate hearings still to come.

MR. FLEMING: We will probably outdo that in this committee.

THE WITNESS: I doubt if we will be able to put enough words in, Mr. Fleming, between now and the middle of June, to equal that production of evidence.

I am going to try to give to the committee out of this mass of material the barest bones that I can and try to isolate from it all what I consider to be the significant facts with regard to the United States program as it is at the present time. I am going to try to avoid, except towards the end of my statement, any reference to the great variety of proposals which are now under consideration with respect to amendments to the old age security provisions. Those are important but I will try to reserve them until the end so that the committee will get first of all a reasonably clear picture of the situation as it stands in the law at the moment; and then we will consider towards the end of the discussion the main outlines of the proposals that are currently being made to amend and improve the old age security program in that country.

The program in the United States, as it will be presented to you, breaks down into two parts, part I of which you have before you—the part we will discuss this morning, the old age assistance program. That is the counterpart of our present Canadian means test old age pension program. In the course of this morning we will distribute to you a second document on the United States dealing with the provisions of the old age and survivor's insurance program. This is a contributory insurance program in effect since 1935 as a part of the Social Security Act of the United States. It is a contributory insurance scheme, in the more orthodox sense of that term, providing for specific individual contributions by wage-earners and for the payment of benefits as a matter of right without means test to persons who reach retirement age or qualify in other ways.

Now, the reason for dealing with the old age assistance program first in the discussion is perhaps twofold. First of all, it is historically the antecedent of the old age insurance program, and secondly, it is, even after some thirteen years of the old age insurance program's operation still the main prop in respect to old age security in the United States at this present time. I am going to give you some figures to indicate to you the size of the problem facing the United States in respect to old age security. There are at the present time an estimated

11½ million persons in the United States 65 years of age and over, and, breaking that down to indicate some comparable magnitudes, approximately 7 million of these 11½ millions are persons 70 years of age and over, and approximately 4½ millions are persons between the ages of 65 and 69.

The old age security program in the United States, both old age assistance—the means test program that we will discuss this morning—and old age insurance, that we will discuss later, deal with the group from 65 years of age on; and that is the first essential difference that I would draw to your attention with respect to comparisons that may be made between Canada and the United States. In our law we deal at the present time only with the population group age 70 and on; in the United States they endeavour under these two programs to deal with the population group from age 65 and on. To give you again some indications of the numbers of persons who are affected by these programs, I might put on the record at the outset the totals who are presently receiving benefits under these two main old age security programs. In December 31, 1949, 2,700,000 individuals 65 years of age and over in the United States were receiving the means test old age assistance benefit. That amounts to about 24 per cent of the population. At the same time under the old age and survivor's insurance program, some 1,900,000 individuals 65 years of age and over were receiving retirement benefits, widow's or survivor's benefits of one kind or another. So that you can see that there are \$1,900,000 individuals 65 years of age and over who are receiving some type of benefit under the insurance program in the United States as of December, 1949.

Now, there is some overlapping between these two figures. Because of the size of the benefits paid under the insurance program, a substantial number of persons, who are entitled to receive the insurance benefits free of means test, find that benefit inadequate to meet their requirements. They apply therefore under the means test old age assistance program for supplementary old age pensions, and according to the estimates made by the federal security agency in the United States, about 10 per cent of the persons receiving the old age insurance benefits also apply for and receive supplementary means test benefits. A figure of the order of 200,000 is therefore duplicated in respect to the two figures I have given you at the present time. Taking that figure out, you find that approximately 4,400,000 persons 65 years of age and over out of a total of 11½ million persons in the United States 65 years of age and over receive some form of security payment in respect to their old age under these two combined programs. That represents approximately 38 per cent of the total age population 65 and over. While that percentage is slightly smaller than the percentage I gave you at the opening of these hearings with respect to the Canadian aged, it should be kept in mind that the smaller percentage is a percentage of the age group 65 and over whereas our slightly higher percentage is a percentage of a smaller group 70 and over in Canada.

Now, it would be an incomplete picture if I left the story at that and suggested, even by inference, that those are the only two programs in operation in the United States to provide old age security. They have, in addition to these two programs, a number of other programs which I will just mention here without going into details, to complete the picture, at least in its broad outline.

They have, for example, the Railroad Retirement Act which applies to all railroad employees and which covers employees of the railways who, by virtue of the fact that they are covered under their own legislation do not come under the provisions of the old age insurance laws—except in respect to survivors benefits in some situations. Then, in addition, federal government, state government, and municipal government employees have a varied and extensive network of civil service superannuation schemes covering a substantial number of those employees. Those individuals, by virtue of the fact that they are covered

under this particular type of employer-employee scheme do not at present come under the old age and survivors program. In respect to that group, of course, there may be some who, because of inadequate benefits paid under specific schemes, may also be included in the old age assistance program; but the numbers involved there, I would think, would be fairly small.

Finally, we come to a wide variety of private pension plans inaugurated by business or under the latest collective bargaining schemes. Those plans, numbering 13,128 as of November 30, 1949, provide coverage of approximately 7,000,000 wage earners in private enterprise in the United States.

Mr. FLEMING: Coverage is provided for how many?

The WITNESS: 7,000,000. I should point out these 7,000,000 persons to whom I have referred are in the entire age range and they are not people over the age of 65. I have not the figure to indicate what number of persons over 65 are receiving benefits under these private industrial and commercial pension schemes, in addition to the old age insurance benefit.

Mr. CROLL: Doctor, that figure of 7,000,000 represents employed persons in the United States out of a total figure which I noticed as of yesterday of some 58,000,000 employed persons?

The WITNESS: Yes, that would be the approximate ratio, Mr. Croll.

Mr. BROOKS: How many persons would be covered by the railroad benefits, the federal, state, and municipal civil service benefits?

The WITNESS: I can get you those figures if you will just give me a moment.

I am quoting here from the December 1949 issue of the Social Security Bulletin published by the Federal Security Agency in the United States. The most recent figure shows 239,100 individuals, as of October 1949, receiving monthly retirement and disability benefits under the Railroad Retirement Act. There were also 125,800 individuals receiving survivors' benefits under the Railroad Retirement Act. I am not in a position to say at the moment whether those figures deal only with beneficiaries or survivors over the age of sixty-five. Some of the disability cases would no doubt be under 65. I would imagine—but I will check and correct, this statement that if I am wrong—that survivors under the Railroad Retirement Act are survivors sixty-five years of age and over, as they are in the case of widows under the old age insurance program.

Mr. FLEMING: There are some Canadians included in those figures?

The WITNESS: Quite right. There are some Canadians in the running trades who are covered under the Railroad Retirement Act in the United States.

By Mr. Knowles:

Q. That figure of 7,000,000 people covered by the 13,128 plans includes, does it, those covered under the Railroad Retirement Act and the civil service plan?—A. No, sir.

Q. The 7,000,000 is just the number covered in the private business and industrial plants?—A. Yes, that is right, and I should qualify that by stating it is the figure of plans which are approved under the National Revenue Act for income tax deduction purposes. There may conceivably be other plans which, for one reason or another, are not approved for income tax exemption purposes. However, I think most of the plans would be included in the figures I have given you.

Q. Have you any figures as to the number covered by, or paying into the Railroad Retirement Act?—A. I have not figures at the moment, Mr. Knowles, but I would be glad to get them for you. You mean there the total number of contributors?

Q. Yes?—A. I will see if I can get those figures for you. Also, while I am on the subject, I might put into the record the figure that is given here with regard to monthly retirement and disability beneficiaries under the Civil Service

Commission of the United States. There were, in October of 1949, 148,000 beneficiaries drawing either monthly retirement or disability benefits under that legislation. That again is not a complete figure because it refers only to federal employees under the Federal Civil Service Superannuation Act.

Mr. CROLL: Are ex-members of the army, navy and air force, included in that figure?

The WITNESS: I cannot be sure of that, Mr. Croll. The figure includes federal civil servants per se, and other instrumentalities of the federal government which are included under the Civil Service Act. It does not, however, include some of the instrumentalities of the federal government which may operate in effect as Crown companies, and which are not included under the civil service legislation.

By Mr. Knowles:

Q. Since you are looking up an answer to my last question, if it is not too much trouble, I wonder if you could find for us the grand total of the number of persons in the working force that are covered by or contributing to all plans apart from the O.A.A. and O.A.S.I. You have given us a figure of 7 million under 13,128 different plans. The others would be under the Railroad Retirement Act and under the civil service schemes?—A. It would be easy to promise to get that information but much more difficult to keep the promise. I would point out that of the 7 million you have mentioned under the industrial retirement plans a considerable percentage does not contribute, and you would have to make an analysis to get some figures showing how many plans are contributory and how many are non-contributory. Without that information you would not have a reliable index. What you want, I presume, is to estimate how many persons, in the total labour force in the United States, are now covered by, as distinct from contributing to one or the other of these types of programs.

Q. You are probably aware, in the back of your mind, that your people helped me to make a similar schedule for Canada a couple of years ago?—A. Well, I would point this out, Mr. Knowles. Since most of these plans, and I am speaking now particularly of the private schemes, relate to wage earners, they are already covered under the old age and survivors' insurance law of the United States as wage earners. Therefore there would be a large element of duplication involved and most of the people who are excluded from coverage under old age and survivors' insurance law would also be excluded from coverage under most of the private pension programs in the United States. I except in that statement certain groups such as the railroad workers, federal, state, and municipal employees, who are wage earning groups specifically excluded. I would think that you would get an approximation of the kind of figure you are looking for if you took the total number covered under old age and survivors' insurance and added the railway group, and the federal, state, and municipal employees; because those are the two major wage earning groups which are outside of O.A.S.I. (old age and survivors' insurance) and yet covered by other retirement programs.

When we come to the numbers covered under the old age and survivors' insurance program we will try to have for you some additional figures showing how many are covered under old age and survivors' insurance.

With this preliminary picture we might go on to point out that the major chapters in the history of the United States, as far as old age security is concerned, have been written since the year 1935. It was in that year we had this tremendous development of federal-state old age assistance programs, together with federally operated old age insurance programs.

The number of private schemes which were in existence before 1935 is very small in comparison to the numbers in existence today. For example prior to 1940, there were only 659 plans approved by the Bureau of Internal Revenue,

while as late as August 31, 1946, the number was only 9,370 in contrast to 13,128 on November 30, 1949. I might just mention in passing, incidentally, that it was interesting to me at least, to note that proportionately Canada seems to have a larger number of approved private pension plans than the United States does. The figure I gave you for the United States was 13,128 and the figure reported in the Dominion Bureau of Statistics for private pension schemes in Canada was about 3,400—as I recall it in 1947. It is up, now if my information is correct, to something close to 4,500.

By Mr. Fleming:

Q. What is the basis of the tabulation?—A. I would have to know that before coming to any firm conclusion. However, prima facie at least, it would seem that there would have to be a very wide degree of variation in the tabulations to alter the general point I am making.

Q. How is the Canadian figure arrived at?—A. The Canadian figure was arrived at by a questionnaire circulated by the Dominion Bureau of Statistics to all industrial enterprises in Canada employing 15 persons or more, asking for a report of the various private schemes that are in operation.

Q. It is not a figure based on the number of schemes approved by the Department of National Revenue for income tax exemption purposes?—A. Not so far as I know.

Q. Could we get that figure from the Department of National Revenue?—A. I will inquire from the Department of National Revenue.

Q. That would be a better figure for comparison with the United States figure.

By Mr. Croll:

Q. It just occurred to me that it was not until recently that the United States plans permitted tax exemption, am I right on that?—A. The United States tax laws even to this day do not permit tax exemption in respect of employee contributions.

Q. That is a great inducement in our plans which does not exist in the American plans?—A. In the American plans, the employer's contribution can be deducted for income tax purposes, but not the employees. However, under the Canadian law both the employer's and the employees' contribution can be deducted for income tax purposes.

By Mr. Fleming:

Q. Provided it be approved?—A. Yes; in both cases if approval is given to the plan by the Income Tax authorities.

By Mr. Shaw:

Q. I wonder if Dr. Davidson can tell us how many persons are covered by these 4,500 private schemes in Canada?—A. I have not the figures in my mind. They are in a D.B.S. bulletin and will check it and put it into the record this afternoon.

By Mr. Fleming:

Q. We might all want to know that as we go along.—A. I will give it this afternoon.

Going back now to the period when the present United States program in its entirety had its real origin, we find this situation existing: we find that up to the year 1935 there was no such a thing as federal responsibility in the United States in respect to old age security apart from the program the federal government had in operation for its own government employees. Up to that time responsibility for the aged was regarded as being exclusively and entirely a state

problem, and 31 states up to the year 1934 had developed their own old assistance programs which they financed 100 per cent from state funds.

Average payments in those 31 state plans at this point in time, 1934, amounted to approximately \$19.74 per person per month. So in this one program at least Canada as of that date was somewhat ahead of the United States.

We had as early as 1927 under federal initiative launched a nation-wide old age pension scheme. The initiative in Canada came in 1927 from the federal government and the provinces followed along and joined the scheme over a period of years.

In the United States, however, the situation was reversed. It was the states in that country which took the initiative and it was not until 1935, eight years after our federal law in Canada, that the United States government by passage of the Social Security Act entered the field of old age security and began to accept some responsibility for assisting the states in carrying this burden with respect to the aged.

By Hon. Mrs. Fallis:

Q. Was the age limit always 65? Did it start at 65 years of age in the United States?—A. So far as the national scheme is concerned it has been 65 years of age from 1935. I cannot answer your question however with respect to the 31 state plans which preceded the Social Security Act because there would be, I am sure, some degree of variation as between the different state plans in respect to the age of eligibility.

Now, the 1935 Social Security Act develop among other things a two-fold approach to the problem of old age security. These were not the only two programs in the Social Security Act; but they are the two we are concerned with at the present time.

First of all the federal government under the Social Security Act provided for financial assistance to be given to state governments to enable them to carry out their obligations in respect to the old age assistance mean-test program. And secondly, the federal government under its own responsibility developed an old age insurance program based on contributions to be levied against employees and employers with benefits to be paid at retirement regardless of means. And it was the intention and the hope from 1935 on in the development of this plan that the old age insurance program would in a relatively short period of time assume the bulk of the financial burden involved in enlarging old age security, and that the means test program entered into jointly with the states would gradually dwindle away into relative insignificance.

The testimony given in the hearings before the House of Representatives Committee a year ago and the Senate Committee within the past few months shows clearly from every side that it was the expectation in 1935 that old age insurance would rapidly assume the major role in the provision of income security for the aged; and that the means test old age assistance program was just an interim measure designed to carry the residual burden until such time as the old age insurance program could take hold.

I think it is very revealing and very significant in the light of that original concept of the relative roles of old age assistance and old age insurance to turn now to the document we have before us and to see on page 1 the extent to which the expectation that old age assistance would diminish and old age insurance would gradually assume a major role has been realized.

The facts show that this expectation has not been realized. In December 1936, as is stated here in paragraph 2, in the second year of the means test old age assistance program, about 1,100,000 aged persons were receiving assistance on a means test basis; and the annual cost of that, including administration, was \$155,200,000.

Ten years later, when you might have expected that the old age insurance program would have taken hold, the number of beneficiaries under the means test program was doubled to 2.2 millions, and the annual expenditure had risen to \$886,700,000, over a six-fold increase in cost.

In December 1947 the increase continued to 2.3 million individuals with a total expenditure under the means test program of over \$1 billion; and as of December 1949, the latest date for which figures are available, we find 2.7 million individuals on the assistance roles with a cost for the fiscal year ending June 1949 of \$1.3 billion. Those cost figures include both the federal and state shares of the old age assistance program. We shall come to the details of how the cost is shared later on. But I would point out that the cost, so far as the federal government is concerned, is running around \$900 millions at the present time.

(Mr. J. Lesage, joint chairman, took the chair.)

By Mr. Croll:

Q. You told us what you were going to say was very significant and I agree. But are you quite right when you say it was assumed that ten years after 1935 the old age insurance program would gradually start to diminish the cost of old age assistance, I mean by 1945? You have forgotten—was that the original intention under the bill, having in mind the benefits it would pay?—A. I think that one can only take it from a reading of the evidence before these committees, from the head of the federal security agency itself down to all the witnesses, that it was the expectation, even of the persons who were closest to the administration, that by this time certainly old age insurance would have assumed the major role, and that old age assistance would have assumed the minor role. One cannot fail to note, in the testimony of Mr. Altmeyer, head of the social security administration, and of other persons who have been close to him from the beginning, an undertone of concern that the old age insurance program has not taken hold to the extent it was expected to take hold by this time; and that in fact accounts in part at least for the determination that is being evident at the present time to enlarge the coverage to a very marked extent.

Q. And to increase the benefits?—A. Yes, and to increase the benefits.

By Hon. Mr. Fogo:

Q. Was this old age insurance voluntary? —A. It was compulsory for those included in the coverage, but there was an area of exclusion from contribution and from benefits.

By Mr. Croll:

Q. And it covered about 45 per cent of the working population?—A. It covers approximately 55 to 60 per cent of the working population.

By Mr. MacInnis:

Q. These comparisons are not particularly valid as between 1936 and, let us say, any time after 1941 or 1942 unless they are stated in terms of the value of the income in 1936 and 1937?—A. Yes.

Q. The cost of living has increased, and the costs in terms of dollars, but not necessarily in terms of goods and services.—A. I mentioned these figures not solely for the purpose of showing the absolute increase in dollar cost of old age assistance; but I was going to go on in my statement to point out that the figures

I have mentioned in relationship to the same figures of benefits paid out under the old age and survivor insurance show conclusively that the bulk of the total cost is still being carried under the old age assistance program rather than under the old age insurance program.

Q. I see.—A. I shall give you one figure to illustrate what I mean by that. The total benefits paid out in the last fiscal year ending June 1949 under the old age insurance program were \$607 millions; and of that sum a substantial proportion was paid out to persons under the age of 65, children and young widows and so on. So far as the aged are concerned the comparable figure is given on page 4 of the text where the statement is made that for the fiscal year 1948-49 the means test payments to aged persons amounted to \$1,259,000,000 as compared with disbursements to aged beneficiaries under O.A.S.I. of approximately \$442.5 million.

So you will see there that the cost is still two or three times as great under the old age assistance program as it is under the old age insurance program.

By Mr. Brown:

Q. Do you not mean the O.A.S.I.?—A. Yes; and you will see also at the bottom of page 3 the comparable figure given as to the amount of benefit which is paid under the two programs. In December 1949 the national average to persons on the means test amounted to \$44.76 per person per month.

Under the old age insurance program the national average, so far as primary benefit was concerned, that is benefit to the retired working man, was \$26 a month. He might have a wife, in which case he would get an extra 50 per cent for her, and the benefit for himself and his wife would be \$39 per month on the average. But you will see there pretty conclusive evidence that whatever the expectations were in 1935, the facts today certainly are that the old age assistance program, even after 13 years of collection of special contributions under the insurance program, is still bearing much the heaviest portion of the load for old age security. The benefit payments under the old age assistance program are substantially higher for many of the states than the benefit rates under the insurance program; and in terms of absolute dollar cost, the dollar cost in the old age assistance program has shown no signs of diminution due to the introduction of the insurance program as was expected.

Mr. FLEMING: These figures are pretty impressive; indeed, quite convincing up to this point. Possibly there may yet be time for a reversal of the trend as between the two plans.

The WITNESS: Yes, Mr. Fleming. I think that is a very good point. I think that undoubtedly after a further period of years have elapsed you would find over a period of time a continual rise in the old age insurance benefit and the number of old age insurance beneficiaries, and the total amount of the burden carried by the old age insurance fund. I might say there, however, that that would not reflect itself to quite as great a degree as you might think in the eventual diminution of the care-load and the cost under old age assistance. First of all the increase in the average rate of benefit paid under the old age insurance program is to my mind at least a surprisingly slow rate of increase. For example, in 1940, the first years when the benefit payments under the insurance program were made, the average primary benefit was \$20.67, and up to 1949 that had risen to a benefit of \$26. Now, that represents a ten year rate of increase in the average primary benefit on which all the other benefits depend. In that ten year period the rate of benefit, the average rate of primary benefit went up 19 per cent, whereas the consumers price index in the same period went up 70 per cent, and the average wage paid in manufacturing industries went up 125 per cent; so that you have, certainly, a very slow increase in the rate of primary benefit as the years go by.

Mr. CROLL: I was going to ask you there if you would compare that rate of increase with the rate of increase in a ten year period in New Zealand.

The WITNESS: The rate of increase under the New Zealand scheme is £2/10s a year so that in ten years' time you would have an increase of £25 in the superannuation payment under the New Zealand scheme. Now then, in spite of that, you might say well, it is going to be possible over a period of time to bring in a larger number of persons. That is certainly contemplated in the amendments now being considered by Congress. It is shown in the evidence that at the present time the degree of coverage is about 55 to 60 per cent of the total working force—there are about 35,000,000 people in the working force today, under the insurance program, and about 25,000,000 are not under the insurance program. The amendments now being considered will bring in an additional 11,000,000. But a great many of these people presently under the insurance program have a very tenuous foothold; and the figure of 35,000,000 under insurance do not necessarily mean that they have any continuing insurance rights if for any reason they become unemployed or enter non-covered employment. In other words the insurance program has not, to date, covered as high a percentage of the total labour force as you might expect. Now, turning to another point. Mr. Fleming, it is true that in certain states we are now getting to the point where the numbers on old age insurance are larger than the numbers on old age assistance. In Connecticut, for example, benefit payments under old age insurance in June 1949 were \$50,000 more than the benefit payments under old age assistance. But that very point illustrates another problem that is quite apparent in this endeavour in the United States to run these two programs of assistance and insurance side by side. While old age insurance is taking hold in the higher income industrial states which are wealthier and consequently better able to carry a heavy old age assistance load, the exact opposite applies to the low income agricultural states, where there are fewer wage earners and consequently fewer insured persons. You have instance after instance in the testimony before Congress of people who have come forward making representations that while this old age insurance program may be taking gradual hold in the industrial states with their high incomes is doing exactly the opposite in the agricultural states. So far as the agricultural states are concerned they are complaining at the present time because there has been for them no diminution of the number of persons requiring assistance under the means test program. You have a much smaller percentage of labour force in these agricultural states covered under the insurance program because of the exclusion of the farmer and allied groups. Consequently you have now an increasing disparity between industrial and agricultural states. The industrial states are the higher income states anyway and could in most circumstances carry a higher portion of the load as time goes on. A substantial portion of their load can be transferred to old insurance, and that leaves them in a progressively better position to pay comparably more generous benefits to the non insured aged in their states. In complete contrast to this your low income agricultural state has received little in the way of relief from the old age insurance program and it is under pressure constantly because of comparisons being made with the pension payments in other states to increase its rate of pension payment to take in a larger number of needy aged. The thing has now developed to the point where I think it is not unfair to say that it is a vicious circle in many ways; and that accounts in very large part for the almost unanimous voice with which the agricultural states and the agricultural groups representing the farm population in the United States are in their testimony to the Senate committee on Finance demanding coverage under the Insurance Act for farmers and farm labourers who at the present time are excluded.

Mr. CROLL: What is the situation in California? Have you any information on that?

The WITNESS: I am sorry, I can't give you the figures on that. California, of course, is one of the high pension states. Its average pension under a means test program as of recent months was about \$70.76 per person per month; but it was brought out in the California evidence that 25 per cent of the old age insurance beneficiaries in California have also gone to the state means test program for supplementary old age assistance. But I can give you the figures for other states—I am thinking for example of states like Louisiana on the one hand, which at the present time has 81 per cent of its population sixty-five years of age and over on a means test pension; and at the other extreme a state like New Jersey, an industrial state which as I recall, subject to correction, has about 6.6 per cent of its population age sixty-five and over on the old age assistance program.

By Mr. Fleming:

Q. No doubt there is a similar disparity in the enforcement of the measure in the different states.—A. Yes. We will certainly come to that in a later stage of the discussion, Mr. Fleming.

Q. Yes. I would suggest this, that there are two very distinct advantages. I suppose the answer depends to a large extent upon the interplay of the economic forces, the question of prosperity, the price level, employment and that sort of thing; and of course there is a wide variety of fluctuation with regard to those things as between the two plans. Is there any information available on that point? The figures that have been given to us this morning as to the number who are still on the means test old age pension may include numbers who are receiving only partial benefits. Now, is this the point at which Dr. Davidson would like to say something or give us some figures on the numbers receiving only partial benefits under that system? I think it would have an interesting bearing on this relationship between the two schemes in operation in the United States.—A. The only figure I could give you on that is that there are, as I have already stated, some 200,000 of the 1,900,000 insurance beneficiaries who are also included in the 2,700,000 means test beneficiaries; so that just for the moment supposing that under the old age insurance they would suddenly overnight raise the rate of benefit to the point of complete adequacy, that would simply mean that 200,000 individuals would drop off the old age assistance rolls and maintain themselves fully by the larger amount of the insurance benefit. That would still leave 2,500,000 individuals on the old age assistance rolls who have no right to retirement benefits under the insurance program.

Q. Are the 2,500,000 about whom you spoke receiving the full maximum in each case?—A. We will come to the detailed answer to that later. In a word the answer is no.

Q. I thought that was a point you might like to deal with now, but perhaps you would let us have that later on.—A. The answer to that generally is no, but that does not mean as much as it might seem to because we will find in our discussions of the program later on that they do not operate on quite the same basis as we do in Canada. Generally speaking they do not set a maximum income allowable as we do. We make the appropriate deductions from the maximum income allowed by the law and ascertain the difference between the income that is allowable and the income available. In the U.S. they do that by working from the bottom up on what is called the needs test basis rather than from the top down on the means test basis as we do; the result is somewhat different.

By Mr. MacInnis:

Q. Mr. Chairman, may I ask Dr. Davidson if we have any statistical information as to the average per capita income in Canada as compared to that

in the states, similar to what is referred to on page 9? Have we the per capita for the dominion as a whole or have we the figures for the provinces?—A. I would have to check that up with the Economic Research Branch of the Department of Trade and Commerce, or with the Dominion Bureau of Statistics.

Q. We have?—A. We will get that for you.

Q. Thank you.—A. Yes.

The CHAIRMAN: Doctor, a few moments ago you said that the United States farmers were asking to come under the O.A.S.I. In general the United States farmers want to contribute to that scheme.

The WITNESS: I am speaking there, Mr. Chairman, of the official organizations representing the farmers; and in this material here you will find briefs from a number of representative farmers organizations in the United States; such as the National Grange, that is one of them; the American Farm Bureau Federation is another one; and there is a third organization the National Farmers Union representing a large cross-section of the farm population of the United States. Now, those and other farm organizations, speaking on behalf of the farmers, say that they feel that the time has come when the farmers should come in under the old age insurance scheme, for the simple reason that the farm organizations now realize that they are paying indirectly, in terms of increased prices, a substantial share of the cost of the old age insurance program. Employee contributions and employer contributions are of course to some extent inevitably passed on in the price of consumer goods which the farmer has to pay. The farmers see themselves paying their share of that bill and getting no benefit from it because of their exclusion from the insurance program. At the same time they see themselves as state taxpayers having to pay disproportionately high old age assistance costs in the agricultural states and at the end of their working years they have to apply for means test pensions.

By the Chairman:

Q. That was not their attitude previously, was it?—A. No.

Q. They have changed their minds?—A. That is correct.

Mr. FLEMING: Do these farm organizations ask for the inclusion of the farmers themselves as well as farm labour?

The WITNESS: Generally speaking, Mr. Fleming, the answer to that is yes. There are minor variations in the points of view as expressed by the three farm organizations to which I referred but basically they are of the opinion now, which they were not before, that the time has come in fairness to themselves, both as self employed farmers and as farm employees for them to be brought under the old age insurance program. Please keep in mind also the fact that the farmer will have to pay a 50 per cent higher contribution rate for himself than the average wage earner because of the fact that he has no employer to make the contribution for him.

The CHAIRMAN: Again, that is a change of attitude.

The WITNESS: Yes, and it is a change of attitude that stems, as I see it, not so much from a positive enthusiasm for the old age insurance program as from a feeling that they are now bearing a certain portion of the cost and are receiving no benefit whatsoever from that.

Hon. Mr. Fogo: The farmer might, in certain instances, have to pay, not only for himself, but also for his hired hands.

The WITNESS: That is correct. And it is also correct to say that the farmers, even in so far as they are part time seasonal wage earners are, when they are seasonally employed, paying certain contributions into the fund for temporary employment; but because of the broken record of employment they

may after a substantial number of years be ineligible for benefits, even though they have for certain periods of time actually paid contributions. So, it is not solely a question of the farmer paying indirectly, it is also to some of them at least a question of the farmer even now having to pay into the insurance fund when he is in part time wage earning employment; and yet he may not be able to apply for benefits at the end of his working years.

By the Chairman:

Q. Like our loggers?—A. Not exactly, as I understand it, because the loggers were excluded completely from any contribution or benefit under the Unemployment Insurance Act.

Q. But it is different as from the first of April.

Mr. BENEDICKSON: They came under that at their own request.

The WITNESS: I will come to some detail on this old age insurance question at a later stage, Mr. Chairman, but I think, if you will permit me now, I will get back to the basic provisions of the old age assistance program. Before I do, lest there be any feeling in the minds of some of the members of the committee that I am putting into this record my interpretation of this development in the United States, it might be well for me to read into the record some words of Mr. Arthur J. Altmeyer, Commissioner for Social Security, Social Security Administration of the United States in respect to this question. Mr. Altmeyer testified recently before the Committee on Finance of the United States Senate, on H.R. 6000, which is the House of Representatives Bill to amend the old age insurance law. The remarks I am reading will be found on page 22 of the proceedings. They were given on January 17, 1950. Mr. Altmeyer quotes and endorses the following passage from the 1949 report of the House Ways and Means Committee.

Ten years have elapsed since the last major revision of the Social Security Act established the scale of monthly benefits under the old-age and survivors insurance system in effect today. During this time, a great deal of experience has been built up which now permits us to assess the strength and weakness of the social security system in relation to its place in the economy. During this period broad developments have also occurred which make it necessary to resurvey the principles and objectives of the social security program as they relate to current economic conditions.

The Congress is faced with a vital decision which cannot long be postponed. Inadequacies in the old-age and survivors insurance program have resulted in trends which seriously threaten our economic well-being. The assistance program, instead of being reduced to a secondary position as was anticipated, still cares for a much larger number of people than the insurance program. Furthermore, the average payments under assistance have more than doubled in amount since 1939 while benefits under insurance have scarcely risen at all. There are indications that if the insurance program is not strengthened and expanded, the old-age assistance program may develop into a very costly and ill-advised system of noncontributory pensions, payable not only to the needy but to all individuals at or above retirement age who are no longer employed. Moreover, there are increasing pressures for special pensions for particular groups and particular hazards. Without an adequate and universally applicable basic social insurance system, the demands for security by segments of the population threaten to result in unbalanced, overlapping, and competing programs. The financing of such plans may become chaotic, their economic effects dangerous. There is a pressing need to strengthen the basic system at once before it is undermined by these forces. Once

the basic system is firmly established, any remaining special needs of particular groups can be assessed and met in an orderly fashion.

I think perhaps that is all I need to read into the record. I should go on to point out that, having expressed what I think members will agree is real concern in that portion of its report, the House Ways and Means Committee goes on to reaffirm its faith in the type of program that they have developed in the United States, and to say that it should be strengthened in order to dispose of the threat to its stability, which they see in existence at the present time.

Mr. CROLL: Do they not make the point there that the weakness, as I get it, is its lack of universality? Is that not the basic point?

The WITNESS: Yes, the lack of universality and also the inadequacy of benefits up to the present time.

Mr. KNOWLES: That is likely to occur in any plan because a lot of people realize after a while that they are helping to pay for it but they are not getting the benefits. There is something of that feeling in this country at the present time.

The WITNESS: They see that in the United States and yet they also see the difficulties from the administrative point of view, as it is at present. They are endeavouring to get more universal coverage, and the amendments they are considering go far in that direction; but even those amendments will still leave out of account, even if the legislation now being considered by the Senate is passed, about 14 million persons in the labour force in the United States. So that, even at that stage, they will still not have reached universal coverage. Whatever discrimination is now involved for a substantial sector of the labour force which is today left out of the insurance program, will, if anything, be magnified in respect to the remaining sector that after the passage of these amendments will still remain out of insurance coverage.

By Mr. Ashbourne:

Q. What percentage of the labour force is covered by these insurance programs?—A. About 55 to 60 per cent of the labour force, Mr. Ashbourne, is presently under the insurance program and about 40 to 45 per cent is outside.

Q. But they are paying $1\frac{1}{2}$ per cent of their earnings and the employers pay $1\frac{1}{2}$ per cent as well?—A. That is right,—the ones who are insured.

Now, may we go on, Mr. Chairman, to an examination of how this means test old age assistance program operates in the United States? The first thing that I should say is that the degree of variation as between the states is much greater than the degree of variation as between the provinces of Canada under the Canadian old age pension scheme. I am not saying that means the variation is a good thing or a bad thing, but the fact is, that due to the legislative arrangements between the federal authority and the states in that country, there is a much wider degree of variation than there is in our own country.

Mr. BROOKS: Is there not a very wide variation in the cost of living in that country?

The WITNESS: Yes, Mr. Brooks, there is a wide variation in the cost of living and in the income per capita and the ability of the states to pay; there are many variable factors, but, whatever the reason, the fact remains that the degree of variation is much wider in the United States than it is in Canada.

Mr. CORRY: Is there not a much wider variation in the standard of living in the states than there is in the provinces?

The WITNESS: That is true, Mr. Corry, but I am not quite so sure that it follows from that that there is such a wide degree of variation in the subsistence needs of the individuals concerned.

This wide range of variation can be illustrated by pointing out, for example, that old age assistance payments in the United States ranged in December, 1949, from a low on the one end of \$18.92 in the state of Mississippi for an individual, to a high of \$77.89 per person per month in the state of Colorado. Members will find at the back of this document an appendix which gives for each individual state the numbers of recipients in December, 1949, under the old age assistance program, the total amount paid to recipients and the average payment made in each individual state.

Now, there are a number of factors, of course, which would understandably contribute to this wide degree of variation, such as differences of living cost, differences in per capita income and so on; but I think that one of things that is present in the United States system which contributes to this difference is the fact that the federal law itself does not, as in the case of the Canadian law, endeavour to impose any means test requirements uniformly across the country. We have in our federal law, as members know, certain means test features which are embodied in the federal Act and regulations. Certain income limits are set there and, while there is a considerable amount of leeway as we know, within which the provinces may interpret those means test principles, they are bound to remain within the over-all limits of the means test principles. The only means test principle that the U.S. federal government imposes on the states is that the assistance must be limited to needy persons over the age of sixty-five. The federal law also goes on to state that the state authority must take into consideration any other income and resources of the applicant. It does not say how they shall take it into consideration; it does not say what the level is, or how they shall make the income calculations. There is none of the detail on the federal level in the United States that there is under the federal Act in Canada. I think that the basic fact that each state is allowed to decide for itself whom it wishes to consider as needy persons is what results in such a wide degree of variation as between the various states of the union.

I have here a very interesting example to show how that variability works out in actual operation. This is taken from an article by Virgil Sheppard, "Standards for Old Age Assistance", published in the bulletin *Public Welfare* in Indiana, February 1943, pages 10 to 14. These facts are taken from that article as reported in a book by a personal friend and colleague of mine, Dr. Eveline Burns, entitled "The American Social Security System":

"In June, 1942, four old age assistance agencies in each of the forty-eight states"—I should interject here that in the states they operate in many cases on a country administration basis—"and the district of Columbia were presented with a hypothetical but typical case, and asked whether under their own rules and regulations, they would regard the applicant as needy and therefore eligible for aid. Of the 125 agencies in 44 states and the District of Columbia who replied, 57 would have considered the applicant ineligible because not needy, while 68 would have considered him eligible. In 15 (mostly eastern states) and the district of Columbia he would have been ineligible; in 20 (mostly western) he would have been eligible—"

Mr. KNOWLES: Go west, old man.

The WITNESS: "—and in 9 states he would have been eligible in some parts of the state and ineligible in other parts of the state."

Now, whatever the degree of variability in the Canadian old age pension scheme, I think that members will agree that it does not correspond to the situation that is presented there. I might just put on the record, to show the degree of means testing, the actual hypothetical case which was given to those various agencies to pass upon.

The hypothetical case was that of an aged man, living in the home of his son and daughter-in-law and possessing three possible sources of income: the produce from his garden valued at \$1 a month, odd job earnings of \$5 a month and support from his son, who, with a monthly income of \$200 had an admitted surplus of \$5 a month for himself and wife in addition to a \$5 monthly savings deposit.

That was the hypothetical case given to the agencies referred to and in 57 of those cases the applicant would have been regarded as ineligible for old age assistance of any kind.

Mr. FERRIE: Do you not think, Dr. Davidson, that the same discrimination would appear in Canada?

The WITNESS: No, sir—not to anything like the same extent.

Mr. MACINNIS: That man would be eligible in almost all of the provinces.

The WITNESS: Yes.

Mr. FLEMING: Only partially?

The WITNESS: I would like to point out, in this case, Mr. Fleming, that the group was divided as between those which would have refused him any sort of assistance at all and those which would have given him some assistance—sufficient to make up the deficit between his resources as stated there and what they considered to be his living needs

By Mr. Ferrie:

Q. Is it not true, Dr. Davidson, that some of the provinces have an Act on their statute books saying that the son is responsible for the parent?—A. The Parents Maintenance Act, yes.

Q. Yes, well if in any province a son was earning \$200 a month, the inspector would immediately say—right off the bat—that the son should take care of his aged parent.—A. All I can say to that is that certainly the federal Act and regulations do not require, in that situation, that the provincial pension authority shall take into account anything other than the value of the free board and lodging which the son actually gives to his aged father, plus any other income which the son actually does give to his aged father.

Hon. Mr. FARQUHAR: What about the provincial regulations in regard to that matter?

The WITNESS: I think generally, Senator Farquhar, that the provincial regulations follow the principles laid down in the federal Act and regulations. There was a time when the federal regulations did call for taking into account the responsibility of the son to support his father whether or not he actually did support him. That was put in actually at the request of some of the provincial pension authorities themselves, as long ago as 1937. The provision was taken out in 1946 and I think that I am right in saying that since 1946—certainly generally speaking—the provinces take into account only income which the son actually provides for his father, including, where it applies, the value of free board and lodging. They do not take into account presumptive income which they think the son, because of his responsibility under the Parents Maintenance Act, should provide—unless he actually does provide it.

By Mr. MacInnis:

Q. I think probably that answers the question I was going to ask but I shall put it more directly. Is there any province in Canada now that enforces the Parents Maintenance Act in regard to old age pensions?—A. We do not know of any.

Q. In British Columbia we do have the Parents Maintenance Act but I am quite satisfied that it is not enforced at the present time in respect to old age

pensioners although it may be on the statutes?—A. The only reason I hesitate to give you a categorical answer is that I, myself, am puzzled by a small number of cases shown in our last annual report as having been rejected by certain provinces under the category “entitled to support”. As I recall there were three provinces which, in their reasons for refusing applications, listed cases on the ground that they were entitled to support—seven cases in one province and one each in two other provinces. I would want to go back to find out what lay behind it before I gave you a categorical answer that none of the provinces took presumptive income into account.

Mr. FLEMING: I think we should try to distinguish between enforcement of that Parents Maintenance Act in provinces and assumed enforcement for old age pension purposes. In every province where there is an Act in effect it is up to the parents to set in motion the enforcement of the Act. However, Mr. MacInnis’ question was put broadly enough, and I think the answer was broad enough, to leave it open to the inference that the legislation is not being enforced. Where the legislation is available it is set in motion at the instance of the parents.

Mr. FERRIE: The legislation may not be in force but the inspector still has it in mind and he still uses it in all cases. In western Canada, in all cases, it is in the inspector’s mind and he will use it. He may not cut off the whole pension but he certainly takes some off.

Mr. BENIDICKSON: Western Canada covers a lot of territory.

The WITNESS: I did not want to deal too long with this question of variability but I thought it would be of value to put something on the record in terms of our possible consideration of what we should do here. For example, and I am just posing this as one of the things that might be in the minds of some: supposing we were to say “all right, so far as the federal authority is concerned what we will do is abolish from the federal Act this provision which relates to specific means test principles; and we will say to the provinces that they may go ahead and pay pensions to whoever they consider to be needy persons; and we will share the proportionate costs”. In order words, we would be letting the provinces set their own means test levels, as they do in the States. Supposing that procedure was ever considered in Canada, I think you have some lessons here as to what might happen under that hypothetical set of circumstances. I would venture the opinion that whatever the degree of variability at the present time, the degree of variability between the provinces under that hypothetical situation would be much greater than it is today.

The effect, in other words, of the extent of the means testing provisions in the federal Act seems to be to average out on a more even basis, as between the various provinces. It tends to pull up some provinces and, until recently, it may have tended to hold down some other provinces.

But now, with the provision in the regulations that supplementary payments can be ignored, we see some provinces prepared to go beyond the provisions of the federal Act.

Mr. BROOKS: The federal government does not check up; it is the provincial government which checks up.

The WITNESS: That is correct.

Hon. Mr. FOGO: We have one yardstick instead of ten.

Mr. FERRIE: We have one Act but ten people are checking up.

The WITNESS: With that background of variability, and having stated that the federal government in the United States leaves the question of means testing entirely to the individual States, I should go on and say that there are some specific provisions in their federal legislation which bear on the other aspects of eligibility.

For example, the federal government in the U.S. has in fact set an age limit of sixty-five. They say, by federal law, that they will not contribute to any state plan that sets an age limit of older than sixty-five. They also say they will not contribute to any pension paid to persons under sixty-five—although the fact that a state plan covers persons beginning at sixty-three, as in California, or at sixty as in Colorado under limited conditions, does not debar those states from assistance in respect of people sixty-five and over.

A second point in the federal law, and this is rather a negative than positive provision, is that they will not accept any state plan that provides any unreasonably long residence rule. They state in effect—

Mr. FLEMING: What page is that?

The CHAIRMAN: Page 5.

The WITNESS: There is an omission here of some words in the text of requirement number two. It says: "Any residence requirements that would exclude from assistance any resident of a state who has resided in the state for five years"—and there should be inserted here: "out of nine" and then "immediately preceding application, and who has resided in a state continuously for one year immediately preceding application";

If the residence requirement is more rigid than that the federal government will not contribute to the plan at all. The state can have a less rigid requirement and in fact many states actually do have less rigid requirements. I think a point of significance to note is that there is a state residence requirement in most states of the Union. There are, I think, five exceptions to this, but most states make eligibility for old age assistance dependent upon residence in the state for a period of time rather than upon total residence in the country. And I think that should be noted in endeavouring to compare the residence requirements in the United States with the residence requirements in Canada for example.

On the face of it, it might appear that our requirement of 20 years residence in Canada is very much out of line with the requirement of five years out of nine in many of the states of the Union. But you will see that the discrepancy is not as I have stated. A person can have 20 years residence in Canada in any part of Canada, and there is no provincial rule whatsoever; whereas in the United States if a person has not, in most of the states, been living for five years in that state out of the nine years immediately preceding, and for the year immediately preceding application, he is not eligible for the means test program, that is, not in that state.

By Mr. Fleming:

Q. Colorado and California I suppose, would have such a practice to guard against an influx from the other states or even from Canada, now that we know about it?—A. I would point out that there are other restrictions on the generous pension payments in those states which pay the higher pensions. In these states one usually has to have U.S. citizenship.

By the Chairman:

Q. Then how does No. 2 apply?—A. To United States citizens.

Q. Yes, but how do you explain No. 3, then? If regulation 2 applies to United States citizens, then how do you explain regulation 3?—A. Requirement 3 means that there cannot be any specific bar put in excluding certain types of United States citizens?

An hon. MEMBER. That might mean coloured persons?

An hon. MEMBER. Or Japanese in California?

The CHAIRMAN: I see.

The WITNESS: I would point out in the hearings that two states, the evidence of which I have seen so far, did oppose the proposal to cut the state residence requirements down to one year; and the two states which go on record as opposing that very strongly are California and Colorado. Those are the states which have the high pension payment, and it was for the very reason that Mr. Fleming suggested, that they want to be more restrictive in their conditions of eligibility, and to limit their more generous pension payments to a smaller number of applicants.

And while Colorado does pay pensions to persons who are 60 years of age and over who are in need, it pays them only if they have been living in the state of Colorado since April 26, 1906. So you will see that these fairly generous pension payments have to be looked at a second time in relation to the eligibility base which they provide for these pension payments. I think I should add in fairness to Colorado that that residence requirement does not apply to the 65 years of age and over group.

By Hon. Mr. Fogo:

Q. What happens to the ineligible needy in the state of California or Colorado?—A. He gets local relief. You will see those 3 requirements then in the federal law and I think the answer given with respect to the third requirement does relate to the question which was mentioned, namely, the racial question; and that provision prevents any state from putting in a provision of the kind that was mentioned. But unlike the Canadian Act it is possible in the state administration, in the state law in the United States, to put in a requirement excluding from the right to old age pensions persons who are not citizens of the United States; and in fact a substantial number of the states limit their eligibility for old age assistance on a means test basis to persons who are United States citizens. California and Colorado do have provisions excluding anyone who, for example, is a Canadian citizen.

The federal Act in the United States also goes much further than the Canadian Act in trying to supervise the quality of the administration in the various individual states. In our plan we write certain provisions into the Act and we say: Follow those provisions, but we leave you to follow them in your own way within the general framework of the law, and we are not going to make too close inquiry into the internal details of your administration.

In fact we have made no effort up to the present time to assess the quality of the administrative program. But the United States, while it leaves the states a free hand on the state means testing, does provide certain rather significant requirements respecting the quality of state administration. Each state must submit a plan, for example, to the federal authority showing how it is going to operate its program. That is true of our Canadian position also, but we do not specify what that plan must include in any detail. In the United States, however, they require first of all that any state plan must provide that old age assistance will be available in all the political sub-divisions of the state. That is because of their reliance in many states on county or local administrations. They will not allow a state to submit a plan which involves only certain areas of the state.

Q. They cannot leave out constituencies which vote the wrong way.—A. Likewise the state plan must provide for some degree of financial participation by the state. This is a joint Federal-State sharing of the cost. If that provision were not in, it is conceivable that same states might unload the whole state share of the cost on the county or the local administration; and while they are not excluded from putting part of the cost upon the county or the local administration, there must be some participation from state funds.

The Federal Act lays down certain broad standards of administration to insure proper operation of the plan. It requires the establishment and mainten-

ance of personnel standards on a merit system basis, and this must be approved by the Federal Security Administrator.

Q. I take it that this merit system relates to the employees administering the plan.—A. Yes. In other words the Federal government says to the state which submits the plan: You must include in your state plan of operation before we approve it a plan showing that you are prepared to engage your state employees on the basis of the merit system.

I mention that as a very interesting example of some of the things that they have been able to do under the American plan which I would venture to question whether we would be able to do in Canada. I am not sure that provincial authorities would appreciate any move to write into our federal law a provision insisting that provincial governments set up their old age pension administration on the basis of employees recruited under the merit system.

Another interesting point, and this is again in the federal law, is that assistance from the federal authority is not available in respect to persons in public institutions in a state. That has been stretched to permit temporary hospitalization for a period not in excess of three months in a public institution. But if there is an old person of 65 years of age and over in a county home, in a poor farm, in a tuberculosis hospital, a long-term hospital, or in a mental hospital,—in short in any public institution in a state,—that person is automatically excluded from old age assistance so far as the federal authority is concerned.

Now I would set that alongside the provision we have in our law. We have a federal regulation which does exclude old age pension payments to persons who are a public charge in public mental institutions. But apart from that, we do not make any exclusion of the institutional population in the various provinces; and I think you will see from that there is quite a substantial difference between our treatment of the institutional population in Canada generally, with the exception I have mentioned, and the general exclusion of the institutional population in the United States.

By Mr. Fleming:

Q. Is not the purpose of this Federal Act to keep people out of such institutions? I suppose there is something to be said for residence in certain kinds of institutions where people can get better care than they can in trying to live by themselves. We have had experience of it, I know, in my city of Toronto.—A. I think there is an argument of that kind and I think there is also an argument to the effect that paying old age assistance or old age pensions to persons in public institutions is in fact subsidizing a provincial responsibility for the operation of those institutions under the B.N.A. Act.

Q. It depends on the kind of institution.—A. Largely, yes. But in most cases what happens in respect to old age pension payments made to persons in an institution is that it is the institution which gets the bulk of the pension as payment for care rather than the old age pensioner getting free care and having the pension benefit as an extra. So the effect of it simply is that you are subsidizing out of federal funds what would normally be a provincial or municipal responsibility.

By the Chairman:

Q. Are many of our pensioners living in provincial institutions?—A. I would not say that the number is significant; but there are probably a few thousand in Canada who are living in institutions, and if the United States law were applicable in Canada they would be excluded from old age assistance completely.

Q. I believe there is quite a large number in the province of Quebec?—A. I would point out that this relates to public institutions and not to private insti-

tutions; and if there is a private nursing home, a privately operated institution, or a private charitable institution, then the persons in those institutions are eligible; but not if they be state or municipal institutions.

Q. I understand.

By Mr. Fleming:

Q. Getting back to the amount of old age benefits, from my own experience in Toronto I know of many people on the old age pension who could not support themselves living in private establishments at all. Many of them wanted to get into institutions operated by the municipality. Many of them were living in rooming houses where they were supposed to get some kind of care. They have presented the greatest difficulty to the municipal welfare authorities; and the tendency in my city has been to enlarge the municipal institutions to provide care for the aged pensioners.—A. Might I just digress for a moment in response to that point? I think it is fair to say that there is a return in some degree to a different kind of institutional care.

Q. That is the answer, of course.—A. The old age assistance legislation in the United States if not in Canada had as one of its original implied objectives to get rid of the poor homes and the old men's homes and that kind of institution that we did not like too well by the time the 1920's came along. Now, there is a shift from that to the cottage type of institution, to smaller types of homes of various kinds, which I think is all to the good, a wholesome change which fills a very real need. There was a period, between our desire to abolish that kind of home twenty years ago and our present interest in homes for the aged, in which a lot of our aged people, because they got the old age pension, found it necessary to live down in the cheaper section of our big metropolitan areas, in commercial rooming houses, in missions, in flop houses—some of them under pretty poor circumstances. That is still true today in too many cases. One of the first results of the old age pension was a sort of exodus out of certain public institutions where in some cases at least they were treated not too badly. There has been a return to some extent to a quite different kind of institutional care; and that is developing substantially at the present time in quite a number of provinces in Canada.

Now, might I say this, it is clear from the situation in the United States that by excluding from old age assistance persons in these public institutions they hoped to get rid of the alms-house and the poor farm and so on; and in some instances evidence has been brought out that in some states, such as Alabama and so on, which formerly had numerous county homes—the care that is now being provided is reducing very substantially the number of alms-houses and county homes and poor farms.

Now, if you will turn to page 7, Mr. Chairman, you will find a section dealing with financial limitations. You will find it sets forth there:

The federal government does not share in that part of an individual's assistance payment which is in excess of \$50, and does not share in assistance payments to recipients under age 65. With respect to the remaining state expenditures, the federal grant provides an amount equal to (a) three-quarters of the state expenditures on assistance payments, or three-quarters of the product of \$20 multiplied by the total number of OAA recipients for the month, whichever is the lesser, plus (b) one-half of the amount, if any, by which such state expenditures exceed \$20 times the number of recipients for the month.

You will find set forth there the formula which is used for reimbursement to the states. I point out first of all that the federal government in the U. S. does not contribute to the excess of over \$50 in respect of any pension paid in the union. That is an exclusion in respect to each individual pensioner. And it is

evident from that that in the state where you find an average pension payment of over \$50, those amounts individually and collectively in excess of \$50 are paid exclusively from state funds. Likewise, the federal government does not share in any old age assistance payments, to persons younger than age sixty-five; so that, within this age limit of sixty-five and over, and this financial limit of \$50 as the maximum in any individual case, the federal government contributes to the state 75 per cent of the first \$20 of the pension paid and 50 per cent of the remainder, up to \$50. It is of interest to note that the effect of this calculation is that the maximum federal contribution in respect to any pension is \$30—which happens by coincidence to be the same as the maximum contribution paid under the Canadian plan by the federal government.

You may find it convenient to turn back to the appendix on page 33 and see how this works out. Let us take for an example the state of Idaho where there is an average pension paid of \$46.94, according to this table. Now, to find out how much of that is federal money you would have to follow this procedure: You would have to go through the Idaho lists and eliminate any moneys paid in excess of \$50 to any individual. Since the average payment is \$46.94 then it must be clear that there are probably some people who are getting over \$50. Therefore, you take out those amounts paid in excess of \$50 and as a result you will arrive at a slightly lower average figure than \$46.94. Let us say for the purposes of our calculation that it is \$44.82. Having so reduced your state average so that it represents the pension payments up to a limit of \$50 but excluded any amounts paid in excess of \$50, you proceed as follows: you take 75 per cent of that first \$20, which is \$15; then you take 50 per cent of the remaining \$24.82, which is \$12.41; and you find that the federal contribution will be \$27.41 across the board, when the state has an average pension payment excluding amounts over \$50 of \$44.82.

Mr. FLEMING: Have you any figures showing the average federal contribution in the United States?

The WITNESS: Yes, I have a statement here, Mr. Chairman. I cannot put my hand on it now but as I recall it Mr. Altmeyer in giving his evidence gave that figure as \$25; he gave that figure as being the average federal contribution under old age assistance right across the board.

Mr. LAING: I wonder if we could have some indication of the degree of variation or fluctuation as between varying pension amounts?

The WITNESS: You could get that by reference to the table at the end of this document. You see there that the average payment in the lowest state, Mississippi, is \$18.92. In that case the federal government would contribute 75 per cent of that. They have a maximum pension of \$30. On the other hand, in the higher pension states such as Colorado or California, the federal government contribution probably comes pretty close to but still would not be up to the full \$30 limit; that is, the maximum federal contribution under no circumstances whatsoever goes up to the full limit, unless every single case on the assistance rolls gets at least \$50.

You will find a further answer to your question on page 21, Mr. Laing, where it is stated that in 1936 the federal contribution amounted to 42.8 per cent of the total OAA expenditures. That has risen to 52.6 per cent in 1947, and to 54.8 per cent in the fiscal year 1948-49. You will also see that the total costs vary widely as between states. It shows that in 1947 in seventeen of the states more than half of the total cost was provided out of federal funds, while in the case of ten states from 60 to 63.7 per cent of the total cost was met by federal funds. Now, you might also refer to the table on page 24. The significant point of all this, I think Mr. Chairman, is that as you will note from what I just read on page 21, the highest percentage of contribution in any state from federal funds in 1947 ran to the order of 63.7. It is probably somewhat higher in some states since the more recent changes in the law. In Canada our contribution is a flat 75

per cent right across the boards so far as the payments made under the statute are concerned; but, of course, if you are taking into account the supplementary payments which the provinces make—for instance, in three of our western provinces—that would mean that the percentage of total assistance would be less than 75 per cent.

Mr. BENEDICKSON: That does not include administrative costs?

The WITNESS: No, that does not include administrative costs. I think the point that is important to note here is that while the table at the back of this document shows a substantial number of states paying substantially higher pensions than are payable under our Canadian law, the fact remains that so far as the federal contributions across the board in the United States are concerned it is by actual experience less than it is in Canada. The maximum that the federal government can contribute is actually the same as it is in Canada. To the degree that old age assistance payments are more generous in the states to the more select group of people who get old age assistance, it is because the state governments from their own state funds are putting up a substantially higher proportion of the total pension payments.

By Mr. Fleming:

Q. Dr. Davidson, I would like to ask you a question with reference to appendix 1 on page 33? There the average figure for the United States is \$44.76, the figure at the top of that column. Is that confined to payments in excess of \$50 where the recipients are sixty-five years of age or over, or does that include everybody?—A. Everybody.

Q. So that we cannot compare the figure of \$26 which you gave just now as the federal contribution.—A. That was \$25.

Q. \$25, as the average federal contribution to the total state expenditure of \$44.76?—A. I am not sure I get your point.

The CHAIRMAN: There is a footnote there.

The WITNESS: The figure of \$44.76 would be reduced somewhat, Mr. Fleming. I cannot actually tell you how much. It would be reduced first of all by the exclusion from the California and Colorado totals of all pension payments made to persons under age sixty-five. It would also be reduced by the individual excess over \$50 paid in all states of the union, so that it might be considerably less than \$44.76.

By Mr. Fleming:

Q. Can you arrive at that figure? Have you any statistics on that?—A. No, we haven't any data on that.

Q. And then we cannot arrive at the average federal contributions to the pension that applies with the maximum fixed by the federal contribution?—A. No, except that we have Mr. Altmyer's statement that that runs in the neighbourhood of \$25. The only way you could get that is by working backwards. You know that \$15 of that is in respect to the first \$20, and the remaining \$10 is with respect to—

The CHAIRMAN: The second \$20.

The WITNESS: Yes, it works back to a figure of \$40 as the average payment which the federal government in the U.S. recognizes as a shareable expense.

Mr. FLEMING: So that you could take the figure then of 25/40ths, which would be about 62.5 percent, as the maximum federal contribution allowable under federal legislation?

The WITNESS: That is correct, unless the average actual payments shareable under the present federal formula do not exceed \$40. But I would point out

that the federal government in the U.S. is prepared to share up to a \$50 average, and its maximum share then would be \$30, which is 60 per cent. Beyond the \$50 maximum it does not share.

The CHAIRMAN: Gentlemen, we will adjourn until 4 o'clock in room 368. And tonight, a steering committee meeting at 7.30 in this room.

The committee adjourned.

HOUSE OF COMMONS,

May 2, 1950.

AFTERNOON SESSION

The committee resumed at 4:00 p.m.

The CHAIRMAN: Order, gentlemen, we have a quorum.

Dr. G. F. Davidson, Deputy Minister of Welfare, recalled:

The WITNESS: Mr. Chairman, this morning I promised to get for Mr. Shaw the figure as to the number of individuals in Canada covered by private pension plans of the kind we were discussing. I have now the Dominion Bureau of Statistics Report on the Survey of Industrial Pension and Welfare Plans, 1947, which, I should point out, covers only industrial pension plans. The questionnaire on which this was based was sent to all industrial firms in Canada employing fifteen or more individuals; it does not cover those employed in public administration, educational or publicly or privately owned institutions, nor does it cover private organizations such as charitable organizations and political parties, et cetera. It is therefore, not a complete picture of all the non-governmental retirement schemes in Canada.

Mr. SHAW: Does it cover the 4,500 different private pension plans that you referred to this morning?

The WITNESS: It covers 3,419 pension plans of this type, as of 1947, and the number of employees covered by those plans is given as 629,233.

I was also asked, Mr. Chairman, to file a statement showing the latest available information on personal income per capita by provinces. The figures I have here are taken from the Dominion Bureau of Statistics publication National Accounts, Income and Expenditure, 1941-1948. There are no later figures available broken down by provinces than for the year 1948. Perhaps I should read into the record the provincial figures, as follows:

Prince Edward Island, \$548; Nova Scotia, \$682; New Brunswick, \$636; Quebec, \$784; Ontario, \$1,075; Manitoba, \$946; Saskatchewan, \$932; Alberta, \$998; British Columbia, \$1,024 (includes Yukon and Northwest Territories). The Canadian average, \$922.

The other questions on which I promised to get information, Mr. Chairman, relate more specifically to old age and survivor's insurance and, with your permission, I propose to give the answers to these when we get to that stage in the discussion.

We broke off discussion this morning at about page 7 of the document. I was dealing with the formula under which the federal government provides financial assistance to the states in accordance with the means test Old Age Assistance Program. The general point that I made was that the \$30 maximum federal aid in the United States corresponds exactly to the \$30 maximum which

is under the federal legislation, payable in Canada at the present time; but that the average actual federal payment in the United States runs around \$25 whereas the average actual payment in Canada from federal funds runs to approximately \$28.50 at the present time. So, the federal contribution in Canada through the old age pension program in the provinces is percentagewise, larger; and on a dollar for dollar basis it is larger than the average actual federal contribution to the Old Age Assistance program in the United States. To the extent that the actual over-all pension payments in the United States are larger, that is due to the fact that a larger contribution is forthcoming from state funds. I should also add, of course, that the United States Federal Government gives to the states something that our federal government does not give to the provinces, namely a certain amount of assistance, over and above the assistance I have just described, in respect of the administration costs. The federal government in the United States reimburses the state for 50 per cent of what the federal administration determines as the proper, and reasonable administration costs of the state.

Turning now to the next section of the brief, if there are no questions under that, Mr. Chairman,—

Mr. SHAW: I do not know whether it is possible or not to procure information in respect to the cost of administration in the various provinces of Canada. Could we get that?

The WITNESS: I mentioned some days ago, Mr. Shaw, that an answer is being tabled in the House on that very point in reply to a question asked by Mr. Knowles. It has been tabled already, I am informed.

Mr. SHAW: Thank you.

The WITNESS: If we turn now to the next section of the brief, on assistance payments, you will see here in some detail the information given to support the statement I made this morning as to the wide variation between states in the amount of assistance given. There are a variety of reasons which can be given in explanation of this fact. Prominent among those explanations is the fact that the federal government, of itself, imposes no specific requirements in the way of a means test formula other than the general requirement that the state must pay pensions on the basis of need, and in so paying they must take into account any income and resources of the applicant.

(Mr. W. Benidickson, the vice-chairman, assumed the chair.)

By Mr. Knowles:

Q. Dr. Davidson, at this point, may I ask this question: you indicated this morning that there is wide variation, not only among states as to the application of the means test, but also a variation amongst counties or other agencies within a state. May I ask now whether one local administration actually varies treatment from case to case?—A. The answer to that, Mr. Knowles, is, I think, yes and no. As you will appreciate, we build from the top down on a means test basis under the system in Canada. In the United States, on the other hand instead of working down from the income ceiling allowable, as we do in Canada, they generally work from the bottom up in each individual case. They pay each individual applicant only what they consider he needs to live on as a supplement to his available income. Therefore, it is conceivable that on a statewide administration the state might take into account, for example, the fact that in a rural area it costs less to live. They would take into account this fact and they would construct that individual's living budget on a lower basis than they would in respect to an urban pensioner. And so you

might have a statewide administration paying a smaller amount of assistance to an individual in a rural area than the amount they would pay to an individual in an urban area, both having the same resources.

By Mr. Knowles:

Q. What about the case of two applicants A and B who appear before the same local administrative body down at the county level, as it were. Let us suppose that A and B have the same resources to begin with. Are there any cases where that local administrative body decides that one needs more than the other in the way of pension?—A. Only if they know from the circumstances under which these people live that the amount required by one to live is more than that required by another one. It is quite a different arrangement compared with our arrangement where we say: here is the income ceiling for everybody, take off from that the available income and what is left is the amount of pension that the individual is entitled to, whether or not he is living at such an economical level as to suggest that he does not require the full amount of pension to which he may be entitled. I do believe that the application of the needs test in the United States experience is, in many respects, different from the application of the means test as we apply it.

By Mr. Laing:

Q. Have they had any trouble?—A. Well, I would not say that it would be called trouble, but they do run into very real complications in trying to work out the budget in each individual instance and determine from that how much an individual should get. The individual states have endeavoured to standardize that to some extent by constructing what they regard as a minimum adequate budget which they apply as a basic subsistence budget in all cases. They will include certain items like rent and the cost of food, the cost of clothing, and other items that go into the minimum budget for a single individual in the state or a certain subdivision of that state. Those budgets naturally vary from one area to another and from one state to another.

Q. What I mean by trouble is have there been any accusations of discrimination?—A. Well, I have not come to this yet, Mr. Laing, but there is in United States law a provision for a fair hearing and the evidence is that the vast majority of the appeals that are taken under this appeal requirement are in respect to the assessment of income and the amount of assistance that is payable.

By Mr. Knowles:

Q. What percentage of these hearings are decided in favour of the applicants for pensions?—A. We have no statistics on that one way or the other, Mr. Knowles. We have not been able to run across any information in that respect, but one of my colleagues suggests that we might possibly get that for, perhaps, 1946. We will dig and if we can get something on it, we will let you know.

Q. Oh, it is not of great importance. I think it is rather obvious to us that in pension plans that involve variations there will certainly be a lot of complications.—A. I should point out, and I should have mentioned this before, that this requirement of the fair hearing is something to which the federal security agency attaches great importance. They feel it is one of the better features of their old age assistance legislation and I am under the impression that they do watch pretty carefully to make certain that the fair hearings board set up by the state agency does give to the applicant a genuine fair hearing on his appeal.

Q. I would agree that so long as you have people being paid varying amounts of pension considerable importance would attach to the board of fair hearings,

but its importance would disappear if it was on a flat rate.—A. If there are no other questions following out of that, Mr. Chairman, I would direct the attention of the committee to the table on page 8, which sums up in tabular form the information given in the appendix at the back of the document. I do not think I need to enlarge upon that table except to point out again the fairly wide range of the groupings within the range, varying from the low in one state, \$18.92 in Mississippi to a high in two states, California and Colorado, where they pay over \$70.

I also touched this morning on the point illustrated by the table on page 9, which shows that there is a wide variation as between the high income industrial states and the low income agricultural states and that unfortunately the effects of the Old Age Insurance Programs, is to distort this imbalance to an even greater extent.

By Mr. Brooks:

Q. I notice the agricultural states are all states where the population is almost 50 per cent negro. Take the states of Iowa or Montana, would they be in the same class as the states quoted—all in the south?—A. We can check that by the table in the back: Iowa, \$48.90, it is not nearly so applicable in Iowa; Montana, \$52.11—that does register a point against the complete validity of this table.

I should perhaps explain that this table purports to illustrate the fact that there is a ratio between the size of the pension paid, Mr. Brooks, and the average per capita income of the state. It may be interesting for us to get the average per capita income in Iowa and in Montana and to see whether there is a correlation there as you would expect from this table, and to see whether it is applicable to those states.

Q. I just picked those two states out at random—I do not think that the Dakotas for instance would correspond with the southern states—A. I am sorry that I have not got the average per capita income of those two states at the moment.

Q. My point is that the difference is due to the people living in the states—that is the mixture of negro and white, rather than due to the agricultural nature of the state?—A. I think you would find that it has more to do with the average per capita income in the state. I think you would find that Iowa is a fairly well-to-do farming state with a fairly high income and, in the case of Montana you would find somewhat the same situation. My guess, subject to correction is that you would find that a relatively high pension payment corresponds with high income irrespective of whether the state is agricultural or not.

By the Vice-Chairman:

Q. This is per capita income you are referring to?—A. Yes.

Q. What is the basis of the report that was given to us for 1948?—A. It is personal per capita income from all sources. That would include cash, wages earned, investment income, and also an estimate of the income value of perquisites like free rental, free board and lodging and so on.

Q. Farm produce?—A. Farm produce used or consumed on the farm, yes.

Q. I notice that for Prince Edward Island the figure is amazingly low?—A. If we go on you will see from page 11 and the following pages—a point which I brought out this morning—that while no maximum amount is set forth in the federal Act as an amount within which the state must remain, to all intents and purposes the same effect, as far as the federal authority is concerned, is achieved by setting the maximum amount which the federal authority will contribute in the individual case—working on the formula of three-quarters of

the first \$20 and one-half of the balance up to \$50. You will see there that the maximum contribution the federal authority can pay in any individual case is \$30. You will note too that the degree of federal participation has not kept pace with the increase in the cost of living. The cost of living has increased about 40 per cent in the years between 1939 to 1946 while the degree of federal participation, despite several changes in the formula for matching state funds, has increased only twelve and a half per cent.

It might be interesting to see how many states have adopted no maximum and how many have adopted a maximum. That varies again. I might couple with that the reference I made a moment ago to Mr. Knowles' question with respect to the business of establishing a budget and paying the budget deficit.

If you work on the basis of what they call the deficiency budget you establish in each case what an applicant's resources are, you establish what his living needs are, and then you pay the difference between those two—regardless of what it amounts to.

Mr. KNOWLES: Hear, hear.

The WITNESS: In eleven states, as of March 1950, they adhered to that theoretical principle. In the other states, however, they go a certain distance along that way, and then they come to the point when they say: Despite what the figures show we will not go above a stated dollar maximum in any individual case. You have 19 states where that maximum is set at \$50; 15 where it is set at \$50 with a provision to adjust this amount upward in accordance with changes in the federal law, and six states where the maximum was below \$50.

Now, on page 12, we come to the discussion of the ways in which the various states deal with certain of these points which were raised in the earlier part of this memorandum—the points set forth under the federal law respecting eligibility on questions of age, residence, and citizenship.

I have already mentioned to you that all states conform, as they must, to the sixty-five year requirement and that in two states, California and Colorado, they go below that. In the case of California, they pay pensions from the age of sixty-three and in the case of Colorado, they pay pensions from the age of sixty to persons who have resided in that state since 1906.

Now, while the federal law provides that no state plan can be approved which has a residence rule of longer than five years out of the last nine in the state, that does not mean that all states uniformly adopt that negative federal requirement. In fact, some states have relaxed the residence rules and have adopted residence rules which are more generous than the minimum stated in the federal law. For example, as of March 1950, four states had no residence requirements whatever. They had abolished all their residence requirements with respect to old age security. One of those states, incidentally, is New York. Another, as I recall it is Rhode Island. Both of those states make relatively high old age pension payments, so it is not a correct inference to say that states which have abolished the residence rule are states to which no one would likely come because of the pension being so small.

Mr. BROOKS: New York has such a high cost of living that this fact would probably protect them?

The WITNESS: It is understood, in the case of those states which have abolished the residence rules, that they agree almost unanimously, that there has been no consequent influx of individuals, simply for the purpose of getting the more generous amount of old age assistance which those states provide. Mr. Willard draws my attention to the fact that it is the state of New York and not the city of New York alone to which I referred; perhaps your comment about the high cost of living refers more to the city rather than to the state itself.

Mr. KNOWLES: There are a great many factors involved.

The VICE CHAIRMAN: Have the southern states complained that, by reason of their warmer climate, they get a great percentage of the people in latter years of life coming down to them?

The WITNESS: I have seen nothing at all of that in the evidence which I have been examining in the past few weeks, and there were many southern states which did not appear and testify before the committee to which we referred this morning. You would expect that to be so in the case of California or Florida, for instance. While there was no official submission by the State of Florida, Senator Pepper did appear and he mentioned only one case of that kind—simply by way of illustration of the advisability of relaxing this five year residence rule.

By Mr. Brown:

Q. If an old age pensioner has been accepted in a northern state, can he then move to another state and have the pension follow him?—A. In some instances yes; in other instances, no.

Q. Michigan, for instance?—A. In the state of Colorado for example, they have the highest pension of all. They will pay that pension so long as an individual is in the state. Then, when he goes out of the state they will continue to pay until such time as he establishes residence for old age assistance purposes in the state to which he has moved. At that time if he does not come back to the state within sixty days of having received notification from the Colorado authority they will drop him from the pension and let him apply for pension in another state. That is usually done on the basis of reciprocity.

Q. The practice in Michigan is that they will allow payment out of the state, is not that correct?—A. I am not familiar with that particular State but there are varying practices of this kind. You will recall that I did mention this morning that both California and Colorado—which happen to be the two states which pay the highest pensions of all—are opposed to the reduction of the five year requirement to one year as is currently being proposed.

By Mr. Shaw:

Q. Switching back to Canada on this discussion of pensioners shifting from one province to another, have we reciprocal agreements between all provinces or between some provinces that where a pensioner moves to another province he will continue to receive his pension—possibly paid by the original province, although I do not know?—A. That is built right into the structure of our legislation.

Q. Oh, I see.—A. The federal legislation, in certain sections, provides that, when a pensioner moves from one province to another to permanently reside there, a transfer shall be made.

Q. Which province will pay the pension?—A. The province to which he moves will pick up the payment of the pension but the responsibility for paying the provincial 25 per cent of it remains with the province which began to pay the pension. There is no problem in connection with the movement of pensioners across provincial boundaries in Canada.

Mr. FERRIE: Some provinces do not pay the bonus outside of that province?

The WITNESS: With respect to cost of living bonuses or supplements the provinces will only pay on a reciprocal basis.

In addition to the four states which in March of 1950 had no residence requirement, you have twenty-two states which go beyond the federal law in requiring only one year's residence; three states require three years' residence, and the remaining twenty-two require five out of the nine years—the full limit permitted by the federal Act.

Then, on the score of citizenship, twenty-nine states have no citizenship requirements; sixteen states require United States citizenship—including,

incidentally most of the high pension states; four states specify citizenship or, as an alternative, twenty-five years' residence in the state; and the remaining two states specify United States citizenship or ten or fifteen year's residence.

Mr. BROWN: In Canada do we require citizenship?

The WITNESS: No, we abolished the citizenship requirement in the Canadian law in 1947.

Mr. KNOWLES: How many states are there in the United States now?

The WITNESS: Fifty-one in this count because you are including Alaska, Hawaii—

Mr. KNOWLES: And the district of Columbia?

The WITNESS: Yes, and the district of Columbia.

Now, Mr. Chairman, before I turn to the question of the definition of need may I make the final comment that I would think one could summarize the position with respect to residence and citizenship qualifications by saying that the provisions in the United States are certainly no more generous than in Canada and I think most members would agree that they are somewhat less generous than in Canada. That fact I would point out reduces considerably the number of persons who can be considered eligible for old age assistance at all. That does explain in part at least why the average pension payment in the United States is somewhat higher than in Canada. They have established narrower bases of eligibility, and obviously you can afford to pay a smaller number of pensioners a large amount than you could possibly pay where the law established a broader basis of eligibility.

Mr. BROOKS: On the other hand, there is the difference between sixty-five and seventy.

The WITNESS: Yes, that is certainly a point on the other side.

Now I would like to come to the question of need for the purpose of indicating the difference between the approach in the United States and the approach in Canada. I have already referred to the needs tests or budgetary deficiency method of determining need. I do not think I need reiterate what I said a few moments ago in regard to that. However, I would like to say a word as to the items which theoretically at least in the various state programs go into the calculation of the minimum budget of the individual application. You will find certain standard items listed at the end of the first paragraph on page 13. In twenty-five states certain items such as food, rent, clothing, shelter, fuel, light, water, household supplies and so forth are made mandatory, while other items in addition are made optional.

So that in theory again the approach that they take in the United States is to assess the income resources of the applicant, to establish a social budget of individual need based on the items which any person requires for day to day living, and to pay the difference between the cost of providing that budget and the amount of resources which the applicant has at his disposal.

Having stated the theoretical position I must again go on to point out that many of the states, because of their financial limitations, fall considerably short of carrying that theoretical position into actual practice. A good number of the states have dollar maximums in terms of the pension which they will pay; and a good many of the states have to compromise by saying in effect: We recognize that this is your budget deficiency, but the funds which the state legislature has voted for the two-year period under which we operate are not sufficient to provide you with 100 per cent of your budget deficit. Therefore we will pay everyone, let us say, 75 per cent, or 80 per cent, or 62 per cent of the amount which we recognize he needs as his budget deficit.

In other words, there may have to be an arbitrary slashing of the budget requirements of the individual based on the funds which have been voted by

the state legislature. They apparently do not have the same system which we have here in Canada of making, for example, old age pension appropriations a statutory item, which means that the extra funds required are automatically made available as the result of the authority of the statute without a supplementary vote having to be passed by parliament.

We get situations in individual states where the state runs short of money before expiry of two-year period for which the moneys are voted in many states. In that case the pension authority has to put the old age pension application on a waiting list and say: We have no money. We cannot take on additional pensioners until we get the next two year appropriation from the state legislature. We will simply have to deal with your application when the new funds are voted.

I think the testimony of Dr. Winston of North Carolina made it clear that the reason why 5,000 new pensioners came on their rolls in North Carolina in a six month period beginning July 1, 1949 and ending December 31, 1949, was that these 5,000 applications had been approved and put on the waiting list pending appropriation of additional state funds at the beginning of the next biennial period in July 1949.

By Mr. Brown:

Q. What would be the position if a recession should set in? Suppose a state should not be in a position to provide the funds over a period of years. There would be no fund already built up.—A. It would be the same position as in the case of a Canadian province. They would have to try to find ways of raising the money necessary for their total governmental operations, and to the extent to which they did not see a balanced budget ahead, or the possibility of borrowing to meet the deficit they would have to cut their old age pension appropriation accordingly.

By Mr. Ferrie:

Q. The responsibility would then fall back on the local governments?—A. There would presumably have to be a reduction in the amount of pension or a resort to deficit financing.

Certain states for example Mississippi in their testimony made it clear that if the legislature which has voted, for example, \$10 million for a given biennium does not vote more than \$10 million for the next biennium, then the only thing that can possibly be done because of the rising pension case load is to reduce the amount of pension payable.

In this connection there is a very interesting arrangement in the state of Colorado which, as the members all know, has the highest pension payable in the United States. Colorado takes 85 per cent of its sales tax revenue; 85 per cent of its liquor revenues; the merchandise tax, the beer and liquor licences, and 100 per cent of its incorporation fees, and 10 per cent of its inheritance taxes; and it has written into the Constitution of the State of Colorado that these percentages of these taxes must be placed in a separate earmarked fund out of which old age pensions shall be paid.

By the Vice-Chairman:

Q. Is that the only form of social security which is paid out of that fund?—A. No. There is one other form relating to dependent children and aid to the blind, paid from the balances collected under these taxes.

By Mr. Brown:

Q. Does that fund provide an excess for payment under old age security?—A. I am coming to that. The Constitution says that the money must all be spent in the year in which it is collected. Therefore, Colorado estimates at the begin-

ning of the year what the total take from those taxes will be and establishes a pension. But if, in the course of the year, the money coming in is larger than their expectation, they pay a dividend.

By Mr. Croll:

Q. You mean they raise the pensions?—A. They raise the pensions periodically from month to month.

Q. What are we doing here?—A. At the end of one year Colorado issued a cheque for \$280.80 to every individual on their pension rolls. They called it the jackpot.

Q. It is not Alberta that you are talking about, is it?—A. No, I am speaking of Colorado. They follow now the practice of spreading it over the full year. In 1949 they started out with an initial payment of \$72 maximum in February. During the year it rose to \$83. This year because they anticipate lower revenues from those earmarked sources they started out with initial payments of \$71. As a result of deductions due to needs testing a year ago, the average pensioner in Colorado received a pension of \$74.83 but this year he will start off with a pension of \$65.80. So they do have to adjust their pension payments to a much greater extent than we do in Canada, in anticipating the amount of revenue which may be available under changing circumstances.

By Mr. Brown:

Q. I take it that only applies to people who were resident of Colorado in 1906?—A. No. That applies to all the people on old age assistance. The reference to 1906, that long residence period in Colorado applies only to the group between the ages of 60 and 65 which the state supports from its own funds. But these payments I have been talking about apply equally to persons of 65 years of age and over who have for five years out of the last nine years been resident in Colorado.

By Mr. Croll:

Q. Will you tell us something more about Colorado? That state is almost entirely dependent upon mining interests, is it not? It is a small state with large mining interests, so it has imposed taxes largely on those who are not in the mining business?—A. The taxes I referred to are the sales taxes. They would be pretty well universal; the liquor taxes, which cover more than a mere minimum part of the population; merchandise taxes, beer and liquor licenses, 100 per cent of incorporation fees, and 10 per cent of the inheritance taxes. I have information here which shows the percentages of those taxes.

Q. Yes. Let us have them.—A. 78 per cent of the fund required for old age pensions came from the 2 per cent sales tax. 12 per cent came from the liquor taxes; and the remaining 10 per cent came from that portion of inheritance taxes, corporation fees and miscellaneous items, which is earmarked for this purpose.

Q. As I understand it Colorado has its government from the top, and they are imposing taxes upon the small wage earners and letting them pay the shot. That is what is happening. That is what I thought.

By Mr. Laing:

Q. Nevertheless, in case of a depression the whole plan would fall back on municipal authorities. They are the ones who would have to take care of it?—A. In the event of a serious depression you might have a contracting of the eligibility requirements in terms of personal property and that might mean that certain people who are at present eligible might become ineligible, and those who would then be out of the old age assistance scheme would have to turn to the local relief authority.

By Mr. Brown:

Q. It would seem to indicate that a fund should be built up something like we have under unemployment insurance which would assure that the state would not be running a deficit, and which would assure that the pensioner would be certain of his pension.—A. That is a bridge which I think the committee will have to cross under its own steam, when it comes to that point. But I would point out that even under a system of pay-as-you-go financing such as they have in Colorado from ear-marked taxes it is not necessary to clean out the fund every year. It seems to me that there could well be what I would term—if I may use the expression—a more logical arrangement under which they would establish a reasonably good pension rate and carry over any surplus that might accrue in a good year to less favourable years later on and thereby build up a contingency reserve to carry them over, perhaps, two or three leaner years.

By Mr. Croll:

Q. Similar to the Australian system?—A. Yes; but it is really more the New Zealand system than the Australian system, because Australia has already built up a very large contingency reserve. But you are quite right. It does relate to both countries.

By the Vice-Chairman:

Q. May I ask this question: do you know of any other states which have general taxes especially ear-marked for the security fund?—A. Yes. You will find a general statement on that in the latter part of this document. On page 20, the second paragraph: In 1947 a total of 35 out of the 49 states financed the state's share of O.A.A. entirely from general revenues, with the remaining 14 states utilizing earmarked revenue funds only, or general and earmarked revenue funds. There is a combination of arrangements made in the various states and of course it may also be pointed out that in a substantial number of the states at least a portion of the state's share is put back on the local county or municipal authorities. In North Carolina, for example, the state's share of the pension is split fifty-fifty between the state budget and the local budget. In the counties the real estate tax is the main revenue source.

By Mr. Shaw:

Q. Did Dr. Davidson say these taxes were new taxes or do they take taxes that were in existence and earmark certain payments out of them?—A. I could not answer that.

Q. I think it is very important to know whether they are being financed out of general revenue or by new taxes, as there is quite a difference.—A. If we can get any information on that for you, Mr. Shaw, I will be glad to get up a statement. I am not sure that we can. I would like to point, however, that in some of the states the existing arrangements do not result from government policy or legislation initiated by the administration. In cases like California, for example or Colorado these provisions are written by the people into the state constitution as the result of referenda that may have been taken at some time or other. It is a matter in some cases even beyond the control of the state government itself.

MR. LAING: Have you any information as to the situation in Florida?

THE WITNESS: Yes, the general revenue fund for old age assistance is derived from taxation of horse and dog racing and jai alai. I do not think it would be proper for us, Mr. Chairman, to pursue too far the discussion of the various types of taxes that some of the states use for the purpose of financing their old age assistance plan.

I come now to the discussion of what I consider to be the heart and soul of the needs test in the United States, and that is the twofold question of the determination of the resources and the income of the applicant. I would point out here that the income restrictions are not perhaps as important as they are in Canada for the reasons I outlined when I explained the question of the budget deficiency; but also the resources of the applicant, I think the way the states handle that question is of very real importance in the application of the old age assistance program in the United States. And I want to take some examples in addition to those which are given in the document itself on page 17. I want to base these examples on some of the high pension states, because I think this question of the limitation of property does throw some light on how it is that some of the states can pay substantial amounts by way of monthly pension to applicants who are in need. Let us take for example again the state of Colorado which pays such a generous pension. This is a statement which I have taken from this publication I have before me here relating to characteristics of state plans and published by the Federal Security Agency; It indicates who is eligible on the basis of resources and who is not eligible in states like Colorado. You will recall in that connection the figures I gave in my evidence on Canada in reply to some questions by Mr. Knowles, as to the amount of liquid assets, for example, which an individual could have in Canada and still remain on partial or full pension. The following property and income limitations apply to applicants for pension in the state of Colorado; no person shall be considered in need who owns real property, other than a home in excess of \$1,700 free of incumbrances. No applicant can have personal property or cash surrender life insurance in a total amount in excess of \$750. I would like to draw attention to that. On the one hand the Colorado provision is more generous than Canada in that it exempts completely property used as a home; but, on the other hand, it is decidedly less generous than the provisions of the Canadian act in that an applicant who has cash in the bank or liquid assets including the cash surrender value of life insurance in excess of the sum of \$750, is debarred from pension completely until his assets are used up down below that level.

Mr. FERRIE: What page is that on?

The WITNESS: That is not in the text before you at all. I am quoting from the book to which I referred. And I want to stress that cash income limit on personal property of \$750 and contrast that with the fact that a single man in Canada for example can have between \$1,400 and \$1,500 in liquid assets before his pension is diminished at all, and he can, as my figures given to you a few days ago showed, have almost \$6,000 in cash and liquid assets before he goes completely off pension. A married couple can have close to \$12,000 before they are completely ineligible. In Colorado on the other hand, if a single man has \$750 in the bank, or bonds, or even a life insurance policy having a cash surrender value of \$750, he is ineligible for pension until the amount of his assets is brought down to that figure. Likewise, ownership by a spouse of personal property other than a home having a capital value in excess of \$1,500 disqualifies the applicant and spouse from pension. Now, this to my mind is one of the most significant features of the state provision regarding needs testing. This has to be set alongside other provisions that are so often mentioned in respect to the admittedly high amount of pension paid in the states. There again, re-iterating the point I have mentioned several times: by narrowing the base of eligibility and excluding completely from eligibility persons who would clearly be eligible under our Canadian pension law, the state can thus concentrate on a smaller number of individuals who have nothing whatever and pay them on the average a higher pension than they would be able to pay if they had a broader basis of eligibility such as we have in Canada. That I think, Mr. Chairman, generally applies to all the states, almost, I would say, without exception.

I would like to take another generous state, the state of California. Our information here is a little bit out of date because they did some rather extreme things to their old age assistance law by constitutional amendment about a year and a half ago. Then by a repeal provision which was set in motion by another referendum they have undone all they did a year and a half ago and have had to start afresh as from March 1st of this year on a basis concerning which we haven't got the details yet. But California up until recently at least provided that the applicant or applicants could not own real property in excess of \$3,000, or personal property of a value exceeding \$600; apart from certain exceptions like personal effects, or the cash surrender value of an insurance policy in effect at least five years prior to the application. So that they cannot have assets in excess of the amounts I have mentioned and be eligible for pension. In some of the other states, some of the relatively high pension states, the person can have a relatively limited amount of property, but if he has anything in excess of that amount he cannot go on pension until the amount of property held is reduced below the maximum set.

What is happening in effect is this: as I see the picture, Mr. Chairman. In the United States they, generally speaking, under the old age assistance program, require the individual to use up his resources down to a relatively small amount before he can go on pension at all. Having done that they then pay him in effect what they regard as being the amount he requires to live on within certain stated limits. In Canada on the other hand we allow the applicant to retain substantially larger amounts in the way of personal property without diminution of pension at all, and even larger amounts still with some diminution of pension. I think that is a difference which should be noted.

Mr. BROOKS: Would not that mean that in the states everybody would receive about the same amount of pension? They cannot get a pension in California, for instance, so long as they have more than \$600 personal property. Would not that mean that everybody would get approximately the same pension?

The WITNESS: It would mean this, Mr. Brooks, that so far as their personal resources were concerned they would not affect the amount of pension in the United States to a very considerable degree; on the other hand, so far as current income is concerned, the extent to which they had current income would affect the amount of their resources and therefore diminish the amount of pension. Therefore, I think you are quite correct in suggesting that the resources of the applicant once he gets within the terms of eligibility affect the amount of pension to a relatively small degree. It is the amount of income on a current basis rather than the amount of resources that affects the amount of pension in the states: and, of course, there are other variations in the cost of living which affect the situation there; and the variations in the maxima that are in existence as between the different states.

Mr. KNOWLES: With regard to what Dr. Davidson has just said, I would like to ask him a question; but perhaps, instead of asking a question on it, as that might not be fair, I will make a statement. It would seem to me that it would be more difficult for the United States from where they are to consider the abolition of the means test than it would be for us. That is the question I was going to ask.

The WITNESS: Mr. Chairman, how long do I have to remain silent so that whatever I say will not be taken as an answer or reply to that statement? I would like to bring out the fact that in my opinion this is one facet of the American picture which has not heretofore been brought out in Canadian terms. I have seen many statements with reference to the more generous pensions paid in the United States, but I have never seen very much probing into the background of these questions, particularly the terms of eligibility in the states. Just in that connection and for purposes of comparison I would like now to put on

the record some information with regard to what is done in the state of Washington which pays a pension in excess of \$60 at the present time. The state of Washington provides that if a person has an insurance policy in excess of \$500, cash or other liquid assets in excess of \$200—apart from personal effects, clothing, furniture, a motor vehicle or homestead—anything more than that would debar the applicant from old age assistance under the state of Washington provisions. Now, I think perhaps you will see that there is a substantial difference between the severity of that test of resources and the principles that we adopt under our Canadian law.

The fact is under our Canadian law, the Dominion-provincial pension may be smaller than in the United States, but there are many persons, a substantial number of persons, who are admitted to eligibility, either for partial or full pension in Canada, who could not conceivably qualify for pension in the United States, even in the most generous state, until their reserves were exhausted to almost the vanishing point.

Now, all of this is summed up, Mr. Chairman, in a statement at the top of page 16, where it is brought out that the range of allowable resources in the way of real property used as a home, for example, varies from \$1,000 in one state to \$6,000 in another state. This state, as I recall it, is the state of Michigan, which allows a person to have a home up to a value of \$6,000 without disqualifying him for pension, but if his home is over \$6,000, he is completely ineligible for pension.

By Mr. Knowles:

Q. Even if that is the only asset he has?—A. Right. Perhaps I should read the Michigan provision on that point:

The equity in real property of the recipient if single or not living with spouse, must not exceed \$6,000; if married it must not exceed the same figure of \$6,000, including equity in real property of spouse. The personal property of the recipient, if single, or not living with spouse, must not exceed \$500; if married \$750, including personal property of spouse. The first \$500 of cash surrender value of life insurance and the first \$500 of cash sale value of clothing and household gifts are disregarded in determining the above amount of personal property.

Q. In other words, they give a better break to those who get on the pension but the number that get on is fewer. I am going down there to preach against the means test too!—A. I do not know that there is anything more on that point that we need to say.

Mr. LAING: Just one question, Mr. Chairman. You say on this page that no value limit is specified. Are there many such states—that is, in connection with the home?

The WITNESS: A substantial number of states, I should say, Mr. Chairman—as I have shown in the illustrations I have given—do exempt the property in which the applicant lives from this calculation of resources. But the rest of the states put a limit on the property value of the house in which the applicant lives. Some of the states have the provision that the property must actually be transferred in title to the state pension authorities. Now, on the question of recovery from the estate of deceased pensioners, you will notice that at the bottom of page 16, it says that all except 9 states retain the right to make recovery from the estate of all or part of the assistance given to the deceased. We have no figures as to the amount of their recoveries but I think it can be taken for granted that because of the rigid testing of resources before the applicant comes on pension, the amount of recovery would be relatively small

because the individual with assets of any size would not, in most states, get through the resources test barrier.

Are there any other questions on that, Mr. Chairman?

By Mr. Ashbourne:

Q. Is there any particular reason why those nine states do not seek recovery from the estates of deceased pensioners?—A. I think the reason is perhaps two-fold, Mr. Ashbourne. One is, I think, that the federal agency on the whole is encouraging states to do away with this provision for recovery; and secondly, and more important, I think, is the reason I have just given, that if you make an applicant exhaust his resources down to \$500 before you take him on pension, then there is not so much point in having a provision that you shall recover from his estate when he dies. That situation contrasts with the situation as it would be if it were possible for an applicant to get on pension having several thousand dollars. Whatever may be said for the principle of recovery from estates, there is more point in having a provision for recovery in that situation than in the situation I have described. Do you follow the point?

By Mr. Welbourn:

Q. Is this right exercised to any very large extent?—A. It is on that point that I said I did not have specific information but I suspect that the recovery throughout the states is not a very great deal, for the applicants' resources are usually exhausted before they come on pension at all.

Hon. Mrs. FALLIS: May I ask Dr. Davidson in regard to that paragraph, relating to the surviving spouse and dependents, which country is more generous in the treatment of the surviving spouse and dependents, Canada or the United States?

The WITNESS: That is a difficult question to answer pointblank. I did explain in the evidence on the Canadian legislation that our Act provides that no recovery shall be made from the estate of a deceased pensioner whose estate passes on his death to any other pensioner. Now, that means that if there is an aged man and wife on pension and the man dies first and they are living in their own home, the federal law specifically forbids any recovery to be made from his estate in respect of his pension. That house, therefore, passes automatically to the wife and remains hers until her death. At that point the law does not deny the right to recover from the sale of that house the amount of pension paid to her but it still is not possible, on her death, to recover the amount paid to her husband. The law further goes on to say that no claim can be made against the estate of a deceased pensioner in the case where an estate passes to anyone who has within recent years contributed a reasonable amount to the support of the pensioner either in cash or in kind. What that means in fact is that if you have an aged pensioner whose daughter has been living with him and caring for him, she is considered to be making a contribution in caring for him, just as valuable as a contribution in cash would have been; and if it can be shown that for a reasonable period of time—the Act speaks of since coming on pension or a three year period—if a contribution of that kind was made over a period of that time, no claim is permissible against that estate. Setting the United States and Canadian provisions side by side, we see that they would probably work out approximately the same. To that should be added the fact, as already stated in previous evidence, recoveries in Canada from all estates of deceased pensioners do not amount to one half of one per cent of what is paid out in a given year for pensions.

By Mr. Knowles:

Q. The difference that you draw, Dr. Davidson, between the Canadian way of treating cash assets and the practice in most of the states, also obtains

in principle in Canada between our old age pension administration and the administration of the war veterans allowance. For example, here in Canada a person with a fairly sizable liquid asset can qualify for the old age pension at a reduced amount, but if a veteran applying for a war veterans allowance has assets, instead of getting a reduced allowance he is told to wait until he reduces his assets down to \$1750 in the case of the married veteran. That figure is still higher than those figures in the United States but I say unfortunately, this principle is applied in this case here.—A. In the case you mentioned, the Old Age Pensions Act in Canada is more generous than the War Veterans Allowance Act; but it is not so generous in its treatment of property used as a home. I think it can fairly be said on both accounts, that the general range of testing of resources in the United States is less generous than either the Canadian provisions under the Old Age Pensions Act or under the War Veterans Allowance Act.

Now, at the top of page 17, Mr. Chairman, there are summed up in general terms specific points that have come up by way of illustration showing the amounts of liquid assets that an individual may have and yet come on pension. In some states if they have as little as \$150 in cash in the bank they cannot qualify until they come below that range.

You will note the highest point of \$750 is the highest of any of the fifty-one states. Life insurance is treated in some cases as an exception to that.

Now, we give here, Mr. Chairman, on pages 17 and 18, a number of typical examples taken from actual state plans which show exactly how different situations are treated, but I think probably I have given enough by way of illustration about the states already to show the operation.

By Mr. Ferrie:

Q. Before you leave that, may I ask one question: who takes care of the hospitalization and the funeral expenses of the old age pensioner when he only has an asset of \$150 and he has a pension of say \$35 or \$30 a month? In some of these states, what happens?—A. It is similar to what happens in our own country, Mr. Ferrie. If he has any assets on his death those assets are used to pay his funeral expenses. If he has no asset of any kind whatever it is the responsibility of the local authority to provide burial of that individual as an indigent. I think that is the practice in most Canadian communities, is it not, Mr. Chairman?

By Mr. Shaw:

Q. Do you mean the municipality, Dr. Davidson, or the local authority? You are not referring to any pension authority?—A. No, no. I mean the county or municipality. I think I should add this that there is some leeway under the federal state old age assistance program for the inclusion of medical and hospital expenses as part of shareable expense. It involves stretching the plan to the limit for the state to get this in. For example, the basic provision of the federal law is that the federal government will only reimburse the state in respect of the cash payment that the state has made to the individual. That means that if the state pays a doctor's bill for an old age assistance case, and the doctor is paid directly by the state, they cannot claim reimbursement of any part of it because that is a service they have provided for the recipient of old age assistance. On the other hand, it is possible for the state to work out an arrangement by which they add a certain number of dollars monthly to the old age assistance recipient's allowance, and the recipient of old age assistance then purchases from his increased allowance perhaps hospital insurance or something of that kind. It is possible in this way for the state to provide him with enough assistance to enable him to buy his own hospitalization or medical care, and to the extent that that comes within the federal limit of \$50, the federal authority will allow that to be included for reimbursement purposes. I am afraid I have not been too clear on that, but do you see my point, Mr. Ferrie?

Q. Yes, I do.—A. That has not worked too effectively. The states have been trying more and more to include payments to old age assistance recipients that will enable them to pay their own medical and hospital care but it would obviously be more convenient for them to be able to pay hospital and doctors' bills directly; and therefore there are some recommendations coming up in legislation which is now before Congress, to enable the federal government to match direct state payments for medical and hospital care.

By Mr. Shaw:

Q. Mr. Chairman, possibly that same idea should be recognized in Canada? —A. I beg your pardon?

Q. Possibly that same idea should be recognized in Canada. Today, for example, certain provinces provide hospital, medical, dental, and optical services, but entirely at their own expense. Other provinces in a less fortunate position, may I say, are unable to do that and therefore the pensioners are penalized to that extent?—A. As I say, Mr. Chairman, that specific point is being considered now in the various proposals that are being made in the United States for amending the legislation with respect to old age assistance.

The VICE-CHAIRMAN: That is the type of thing the committee will have an opportunity of considering on a separate occasion.

Mr. SHAW: That is my reason for mentioning it.

The WITNESS: I think I can leave these illustrations to speak for themselves, Mr. Chairman, and perhaps I can hurry through the remainder of this.

On the score of finances as a general statement, I think I may point out that of course the federal share of the expense invariably comes from the general revenue of the federal government; while, in respect of the state share of the expense, the second paragraph on page 20 shows that in about two-thirds of the cases the state share also comes from general revenue; but, in about one-third of the cases the states have earmarked funds or earmarked taxes as at least a portion of the means by which they finance their share of the old age assistance costs. Part of the cost is passed to the local authority and there, of course, the real estate tax is the main source of revenue for municipal or county payments.

By Mr. Brown:

Q. Can you tell us how many states raise revenue or funds by a sales tax?—A. I cannot—without checking through the list.

Q. Are there many that do, do you know?—A. My impression is that—

The VICE-CHAIRMAN: You are thinking of earmarked revenue?

Mr. BROWN: Yes.

The WITNESS: Probably one-half the states which use earmarked taxes use revenue of that sort.

By Mr. Brown:

Q. Can you say where those states are—whether they are in the north, east, west, or south?—A. I think I had better give you a later statement rather than to delay you by looking for the information at this time.

Now I gave you costs already this morning and I do not propose to repeat that information here.

By Mr. Ferrie:

Q. May I ask the doctor whether there is any state in the union which is giving an old age pension and free medical care?—A. I cannot categorically answer that question yes or no. I am informed by Mr. Willard, that Maryland has a scheme for medical care of indigents and a great many other states, in the

manner which I have just outlined, are able to provide old age pensioners with at least part of the funds necessary to buy their medical requirements.

Q. What I was trying to get at is whether there is any state in the union that gives a basic pension and provides free medical care for pensioners over sixty-five years of age?—A. Not that I know of—with the possible exception of the State of Maryland.

Q. Is that full coverage or is it just part? Is it just hospital or doctor and medical?—A. I will check on that and get an answer for you, Mr. Ferrie.

Now, Mr. Chairman, you will notice at the bottom of page 21 under finances, that there has been some liberalization of federal matching provisions which became effective in 1946 and 1948. Without going into detail on them I would point out that the federal formula for re-imbursement of the states has been varied a number of times since the inception of the program. The purpose of the adjustment has been invariably to put more funds at the disposal of the low income states which pay low pensions, without at the same time taking any funds away from the high average income states which pay high pensions. For example, at the outset, the federal government contribution was a fifty-fifty contribution. Then it passed through a later stage, in 1946, when the formula was changed to provide federal sharing of two thirds of the first \$15 and half the balance up to \$45 maximum. The present formula is three-quarters of the first \$20 and one-half of the next \$30. Under the proposals which are now before Congress the formula is to be adjusted a fourth time in an endeavour to equalize the imbalance that presently exists between the low income low pension states and the high income high pension states. It is proposed that the federal government will pay four-fifths of the first \$25 and half of the next \$10 and one-third of the next \$15. Now, if you will add that up it amounts to this: so far as the maximum amount which the federal government will contribute is concerned, it remains the same,—\$30. But, for those states which are paying in the lower ranges—say a pension up to \$25—the federal government will be giving them up to 80 per cent of \$25 rather than 75 per cent of up to \$20 as at the present time. That will enable states like Mississippi and other low income states to add as much as a full \$5 to the amount of the payment payable in their states without it costing them anything at all. Some criticism has been voiced about that in the United States. It has been suggested, for example, that states are getting wise to the possibility of juggling the formula in such a way as to make it possible for them to get a large amount of federal funds by paying a large number of pensioners a small pension. And it is true, for example, that by paying a large number of pensions on a small basis you can get more federal reimbursement than by paying a small number of pensioners a high pension.

(Mr. Lesage resumed the chair.)

Members might be interested in noting, in that connection, the illustration given by Mr. Albert Linton, president of the Provident Mutual Life Insurance Company of Philadelphia, who has been one of the key men on the Advisory Council on Social Security almost since its inception in 1935. Mr. Linton in his testimony before the Senate committee on finance on February 10th, 1950 presented a table which showed that if the average monthly payment is \$20 and the federal share of the average payment is \$15 then the state, by putting up \$100 for 20 pensioners can get federal matching funds to the extent of \$300. In the case of an average monthly payment of \$30 a state investment of \$100 for 10 pensioners would produce only \$200 of federal matching funds. In the case of a \$50 pension a state investment of \$100 for 5 pensioners will produce only \$150 in federal matching funds. Mr. Linton referred to the state of Mississippi which in the space of 21 months increased the Federal outlay by \$386,000,000, while increasing its own outlay by only \$33,000,000.

A good deal of comment has been made on the point that such juggling is possible, if it is not actually happening. There are different views as to whether

it is happening or not, but it is certainly possible under this formula which varies in relation to the level of pension. It is possible for a state, by broadening the number of pensioners and paying lower pensions, to get a larger amount of federal matching funds than otherwise would be possible.

It is also interesting to note, Mr. Chairman, that while with relatively few exceptions business leaders in the United States in their testimony before the Senate committee support provisions for expanding old age and survivors' insurance, in a significant number of cases they are opposed to the broadening of the old age assistance program. From their point of view at least, the objective of the combined program is to shift the total of the burden of cost from the means test program to the old age insurance program as quickly as it can be done. While they are in favour of anything in the way of expanding coverage or improving benefits that will serve to take people off old age assistance and put them on the old age insurance program, they do not, in that process also favour increasing at the same time the appropriation for old age assistance programs. Their objective is to extend the insurance program and diminish thereby the old age assistance load. The amendments under consideration at the present time, however, call for extension and improvement of the old age insurance plan and also substantially larger appropriations for the old age assistance program.

Turning back to page 21 you find there figures which I gave this morning, showing that the federal contribution stated as a percentage of the total old age assistance payments is substantially less throughout the years than 75 per cent which is the percentage payable under the law in Canada. That of course is not an exact or fair comparison. To get a completely fair comparison one should take into account the supplementary payments paid by the provinces outside of the statutory provision. Even then it would be fair to say that the proportion of federal funds, of the total paid in old age assistance in Canada, is higher and has been consistently higher than the comparable percentage in the United States.

You will note at the bottom of the page under "State and Local" the breakdown between the state and local government so far as sharing the cost is concerned. You will note that 52.6 per cent of all old age assistance payments in 1947 came from federal sources, 41.2 per cent came from state sources; and 6.2 per cent from local sources.

By Mr. Knowles:

Q. Dr. Davidson could you give a comparison between the administrative costs in the United States and in Canada?—A. I am advised that the figure for old age assistance in the last fiscal year—that is the fiscal year ending June of 1949—was 5.3 per cent, under the old age assistance program in the United States.

Q. 5.3 per cent of the benefits paid?—A. Yes—and that is shown on page 25. If you will give me a moment I think I can give you a dollar figure for it.

Q. Dollars are really not of much use?—A. The figure that I am looking for, Mr. Knowles, and I will correct this if I find later that I am wrong, is about \$60,000,000 in 1948 for the administration of old age assistance in the United States—taking administrative costs on all levels.

Q. Is that figure of 5.3 per cent, which you give on page 25, straight administration cost, or does that represent substantially the whole administration cost. Are there no administrative expenses on the federal level of any size?—A. Oh, yes.

Q. They should be added to the 5.3 per cent?—A. Perhaps I could put these figures on the record. The figures which I have before me show that for the fiscal year 1949 total expenditures for assistance and administration were \$1,326,047,000; while the total payments to recipients were \$1,259,445,000. The administration cost therefore is the difference between those two figures,

a figure of the order of \$67 million. I would have to check it in detail, but my impression from reading this table is that that represents the total administrative cost including the portion borne by the federal government.

Q. And that is of the order of 5 per cent?—A. Yes.

Q. I wonder if you have a comparable figure for Canada, or are we still waiting for that order to be returned?—A. I am informed that that was tabled in the House. Am I wrong in that?

Q. I have not got it yet.—A. There must be a bottleneck along the way.

Q. We did not get to questions yesterday.—A. I think the Canadian figure—and I speak subject to correction—is around \$2 millions, that is, on expenditures last year approximating \$125 millions.

By Mr. Ferrie:

Q. That is the federal cost?—A. No, the combined federal and provincial cost.

By Mr. Fleming:

Q. Your answer leaves me in some doubt about this 5.3 per cent. There will be federal administration costs over and above the share which the federal government contributes to the state administration costs?—A. That 5.3 per cent includes, I believe, both state and federal costs.

Q. At the appropriate time will you compare the administration cost of the two American systems, the total administration cost of the two American systems?—A. I can do that: \$60,000,000 in 1948 for old age assistance; \$53 million in 1948-49 for old age insurance.

Mr. SHAW: Is not that figure which is designated as administration cost wholly unreliable?

Mr. FERRIE: Absolutely!

By Mr. Shaw:

Q. Take this situation for example: in the provinces you will find areas which are not organized into municipalities; yet you have government officials in those areas handling a dozen different things including old age inspection work. So I think that any figure we get is not likely to be very reliable at all.—A. I agree with you completely.

By Mr. Knowles:

Q. If there is any reliability in these figures the Canadian scene in this respect is away ahead of the American?—A. I do not think there is any doubt so far as the figures reveal the picture that the Canadian administration costs are markedly lower than the American.

Q. Their means testing is so much more complicated?—A. In fairness to the American picture I would not say that that is, by any means, the whole reason. They do put much more emphasis, and constructive emphasis—

Q. You mean the merit system?—A. They put much more emphasis on developing a good standard of administration in the states. I think they do constructively encourage the state to provide a case-work treatment service by which the state authority will, through its field workers, render a genuine case-work service to the recipients of old age assistance, rather than simply to investigate as to an individual's means, and pay him a pension, and then not pay much attention to him. It is a fact that some states have fairly frequent visits—not just for the purpose of snooping around but really constructive visits—which greatly increase administrative costs but which render a worth while service from the point of view of sound administration.

Q. Good.

By Mr. Fleming:

Q. In the states you are dealing with they are forty-nine or fifty administrations or jurisdictions while we have ten.—A. That is right. There are a number of factors; and while we did the best we could with the return prepared in answer to Mr. Knowles' question in the House, there are all sorts of factors which you simply cannot smoke out in terms of getting a complete picture of administration costs for any given service.

Take British Columbia for example. They have about 172 field workers posted in various districts in British Columbia who render community services in respect to a wide variety of social welfare programs operated by the province. So how are you possibly going to decide how much of your salary and travel expenses should be charged to the old age pension part of the administration?

In other provinces you will find all the postage for all governmental purposes paid through the Treasury Department and none of that postage is reflected in the administration costs of the old age pension administration. I think that is the situation in Saskatchewan but I speak subject to correction. Then again, in Ontario you may have something completely different. You may find all your IBM equipment is rented by one authority on a pool basis and paid for by the Department of Finance.

By Mr. Knowles:

Q. You have whetted my interest in the information you have given me.—A. You are welcome to the figures which are available. They are the best we could prepare, but I would not advise you to accept them as being the last word on administration expenses.

Q. In most cases they would be figures which you got from the provinces?—A. In all cases they are.

By Mr. Fleming:

Q. I think a comparison of the administration cost in the two American systems might be of more assistance to us than a comparison of the cost in the provinces of Canada?—A. The costs, speaking on an approximation basis as I recall it, are about \$60 million in the case of old age assistance, and about \$53 million, which is the last figure we have, in the case of the old age insurance system.

Q. You will work them out as percentage figures so that we may compare them?—A. That is right.

By Mr. Knowles:

Q. The latter appears to be a much higher percentage.—A. Oh, it all depends whether you put that percentage in terms of the contributions coming in or in terms of the benefits paid out. It is 8 per cent in connection with the benefits paid out, and this year it will be about 2.6 per cent of the contributions being paid in.

Since the members of the committee show an interest in the administration costs in percentages, might I show how fallacious they may be. The very fact that on January 1, 1950, the contribution rate for employees and employers under OASI went up from 1 per cent to 1½ per cent had the automatic effect of reducing by one-third the percentage of administration costs, because your base of calculation goes up by 50 per cent. Therefore your administration cost stated in terms of a percentage of collection goes down by one-third. The only conclusion I have been able to come to after sixteen years in this field is

that one should be very leery indeed of assuming that a low cost of administration percentagewise is of itself a reflection of sound and efficient administration.

Q. When we put the old age pension up in 1949 the administration percentage went down?—A. That is right. And likewise with respect to family allowances, the fact that percentagewise we can administer family allowances at 1.97 per cent including health and welfare, treasury, public works and other costs, has to be thought of in relation to the fact that we are spending \$300 million a year for family allowances; and if they were to be cut in half, then our administration costs would go up by 100 per cent overnight yet we could not be blamed for it.

Mr. CROLL: You would though.

The WITNESS: Thank you, Mr. Croll.

By Mr. Knowles:

Q. And if we could double the family allowances, your administration costs would go down, but you would not get the credit for it.—A. We might try to get the credit for it.

I think, Mr. Chairman, that perhaps I have picked up as I have gone along most of the points, unless there are any other points which the members would like to raise. Otherwise I think we can leave it.

By Mr. Brooks:

Q. One point occurs to me. On page 33 I notice that in California there are 272,706 recipients of old age pensions while in New York State which has about three times the population of California there are 119,293 recipients. I always thought that California was a very wealthy state. So why should there be a discrepancy between those two states?—A. I can think of three reasons. First of all there is the fact that a higher pension is paid in California, and that brings more people on pension. Secondly there is the fact that they pay their pensions at the age of 63 and that means more people on pension. And thirdly I think you have there some of the factors operating which I referred to this morning, when I said that the effect of 13 years of old age insurance has been to take substantially more people off the old age assistance rolls in the industrial states such as New York than in the non-industrial states such as California. I would not say California is completely non-industrial, but I think it is probably less industrial than is the state of New York.

By Mr. Croll:

Q. Might I just ask you to clarify that for us? When the insurance part of the Act was brought in was it not just considered that in the course of time through a process of adding and subtracting and multiplying and dividing they would arrive at a period when there would be a breaking point or there would come a time when the allowance would be very low—and then there would come a time ten, fifteen or twenty years later when the benefits under the insurance part of the program would supersede the assistance part of the program. Wasn't that discussed at the time the Act was passed?—A. I think there was an awareness, a general awareness of that factor, but a number of things have happened since 1935.

Q. But was that not essentially a mathematical calculation, almost, at that time? They could not have gone that far wrong.—A. It is not as simple as that. For example, the benefit structure which was set up in 1935 might have been more adequate if they had had a chance of holding the line on living costs and wages during the period when the insurance program was building up; had we not had a war with an inflationary trend and a rising in wage levels and a rise

in the cost of living, and a whole set of circumstances which have conspired to make the rate of benefit contemplated as being reasonably adequate in 1935 appear now to be completely inadequate in retrospect. Now there is that to start with. The fact is that on this contractual insurance basis you have to make very long projections; and you make projections in terms of things as you know them to be in, say, 1935 and as you perhaps unwisely think they will continue to be for the next fifty years. In those terms the benefit rate was set at the initial minimum rate of \$10, which everybody knew was inadequate, with the maximum set at \$85, which in 1935 terms was considered quite adequate. In terms of that time \$85 was taken to be quite an attractive figure, and no doubt it would have turned out to be that had it not been for the factors which I have mentioned. Another thing is this, that the development of eligibility for benefit did not come along as quickly as they anticipated. By the time people began to receive their benefits the cost of living had gone up due to the war. The result is that the benefit rate which they might have thought adequate in 1935 is very far from being adequate today in view of the gradual but steady increase in the several factors to which I have referred, resulting in the position in which they find themselves now.

Q. There seems to me to be a flaw in their thinking because they had at that time before them the New Zealand scheme and the Danish scheme.—A. No.

Q. Did they have the New Zealand scheme at that time?—A. No, that came in in 1938.

Mr. CROLL: Right you are.

The WITNESS: The universal superannuation scheme in New Zealand did not come in until three years after the Social Security Act in the United States.

Mr. CROLL: In 1938, that is right.

Mr. KNOWLES: It is also to be noted that the number of persons covered when the insurance act first started was pretty limited, but the thinking of people has changed with the years with the result that there is now a better demand for the universal aspect of the scheme; they now have a quite different slant on it.

Mr. CROLL: What is troubling me is that in the representations that are being made at the present time before the Senate and Congress there are two things involved: increased rates, and I think also increased benefits. There is no suggestion at the present time before Congress in anything I have seen with respect to universality.

The WITNESS: No official suggestion.

Mr. CROLL: No, and that is what puzzles me, and I wonder why. I cannot understand, I cannot follow the thinking in view of the failure of the 1935 scheme to do what they thought it would do.

The WITNESS: Well, obviously, Mr. Chairman, the persons who are in official positions in the United States recognize that this lack of universality plus lack of adequate coverage, these two constitute the chief, the main weakness in the old age insurance approach today. They are trying hard in terms of all the alternatives that are being considered now by Congress to work out a solution to this very real problem. The fact is however—and this is my interpretation, I would not attribute it to them for a moment—that if you have been developing a scheme of the type of the American insurance scheme over a period of fifteen years it is very hard not to go on and give that scheme a real try and try to make it work more successfully and try to extend the coverage step by step towards universality. If you get that far it is very hard not to proceed further with it rather than stopping at a certain point and saying: This was the wrong way to go about the thing and we should try and disentangle ourselves from this program and adopt a new approach. Now I do

not want to impute any ideas or motives of our American friends; and I do not want to have my remarks misunderstood on that point. I think you will see what I am trying to get at. It is very difficult to estimate the ultimate outcome of a program which has implications reaching into the year 2000, as this program has. They have collected contributions against these long term commitments; it is extremely hard in such a situation to completely reverse your position even if you wanted to. The natural result of that is that the people who are interested in the administration of the program see no alternative—and perhaps do not want to see any other alternative, because they still believe in the ultimate objective of the insurance program—other than to set up the benefits, to increase the coverage, and, benefiting by experience to work steadily toward the final goal of universal coverage.

Mr. CROLL: Is there any suggestion as to when they are likely to reach that now, dealing with present figures? I understand they have fifteen years to go before they reach their ultimate objective under the present legislation.

The WITNESS: They will never reach universality of coverage under the present legislation, that is not possible. Amendments would be required.

Mr. CROLL: No, but they ought to reach it some time when the insurance act takes over, takes so much out of assistance act that the assistance act would almost be completely absorbed, except for a few people.

The WITNESS: Well, may I say this, that I have seen a lot of the testimony here, I have read a good deal of it, and there are suggestions that even with the increased coverage contemplated in H.R. 666—that is the draft bill now before Congress—even with the provisions of that bill in force, and the effect of that ultimately will be to cover about two-thirds of the total.

Mr. CROLL: So that one-third will be left and two-thirds will be covered over what period?

The WITNESS: Two-thirds over a very long period.

Mr. CROLL: How long would you say?

The WITNESS: I would say two-thirds indefinitely in the future, assuming no further changes in the old age insurance program.

Mr. CROLL: As I see it, Mr. Chairman, the American system is a very important one for us to consider, particularly its relationship to industrial areas. The American system appears attractive at first glance, and I suggest that it is very important for us to understand it in doing our job here. I hope, in fact I am quite sure, that you will be able to get us figures on that.

The WITNESS: Mr. Chairman, I would assume that the committee will want to spend tomorrow first of all on an orderly presentation of the program. I will endeavour to bring it up to the position as it is at the present time; and at the end of that time I think perhaps we can see more clearly all the implications which have been mentioned by Mr. Croll.

The CHAIRMAN: Gentlemen, the Committee will meet again tomorrow at 4 o'clock, in this room.

The committee adjourned.

Canada. Old age security, joint committee
"the Senate and" H. of C. on, 1950

SESSION 1950



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JOINT COMMITTEE OF THE SENATE
AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

WEDNESDAY, MAY 3, 1950

WITNESS

Dr. G. F. Davidson, Deputy Minister of Welfare, Department of National
Health and Welfare.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950



MINUTES OF PROCEEDINGS

WEDNESDAY, May 3, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 4.00 p.m. Hon. Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Also present:

The Senate: Honourable Senators Burke, Doone, Fallis, Farquhar, Ferland, Fogo, Hurtubise, Vaillancourt.

The House of Commons: Messrs. Ashbourns, Benidickson, Beyerstein, Brooks, Brown (*Essex West*), Cannon, Corry, Cote (*Verdun-La Salle*), Croll, Ferrie, Knowles, Laing, MacInnis, Macnaughton, Shaw, Smith (*Queens-Shelburne*), Welbourn.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare.

The Chairman presented the Third Report of the Steering Committee as appears in this day's Minutes of Evidence.

The said Report was adopted without dissent.

Dr. Davidson was recalled. He presented a memorandum on Old Age and Survivors Insurance in the United States (Old Age Income Security Programs).

It was agreed that the memorandum be taken as read and printed as part of this day's Minutes of Evidence.

Dr. Davidson was further examined, being assisted by Messrs. John Sparks and C. D. Allen, Research Assistants, and J. W. MacFarlane, Director of Old Age Pensions, Department of National Health and Welfare.

At 5.45 p.m. the Committee held a short session in camera and then adjourned until 11.00 a.m., on Thursday, May 4th.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

May 3, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 4.00 p.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. J. Lesage, presided.

The CHAIRMAN: Gentlemen, there was a meeting of the steering committee last night and I was directed to ask the approval of the committee to the following program for the coming days and weeks.

Wednesday and Thursday, May 3 and 4—today and tomorrow—it is proposed that we complete the study of the U.S.A. social security program; Friday and Monday, May 5 and 8, we will study the United Kingdom program; on Tuesday, May 9, there will be a recapitulation by Dr. Davidson of all studies we have made—both on the Canadian scheme and on the schemes for other countries. I understand that Dr. Davidson and his associates will prepare a table for comparison purposes.

On Wednesday May 10 we will start hearing outside witnesses who have filed briefs. The members of the steering committee propose that I arrange for the calling of witnesses.

Mr. BROWN: You refer to Wednesday, May 10—where do we go from there?

The CHAIRMAN: Thereafter—

Mr. BROWN: Thursday, Friday, Monday—

The CHAIRMAN: I will come to that later. We have received answers to letters sent to the provincial ministers of health. Letters, as you know, were sent by Mr. Arsenault, and we have received six answers. Some of the answers were only letters but in some cases detailed representations accompanied the replies.

All letters, representations—or briefs if you like to put it that way—will be mimeographed and grouped under one cover and distributed to the members on Friday of this week. We also received letters and resolutions which were written to us or sent to us by associations either national, provincial, or local, although they were not in the form of briefs. For purposes of convenience we have classified them as informal briefs. They will be mimeographed and distributed to members, if possible, and I hope it will be possible, on this Friday.

It is also proposed that the date for filing of briefs be extended to May 8th. Members will recall that the deadline which was mentioned at first was April 30th. Many associations have asked for a delay of one week—to which request I have agreed after consultation with the members of the steering committee. Now it is to be understood that any association which wishes to present a brief will have between now and May 8th to do so. Everyone will realize, however, the necessity of calling May 8th the deadline—we must commence public hearing on the 10th.

The steering committee suggests that we hear representatives of a number of national organizations, and that the necessary action be taken as we go along with our agenda.

For the moment invitations have been sent to the following organization: The executive council of the Canadian Chamber of Commerce for May 10th; Canadian Congress of Labour for May 11th; The Canadian Association of Social Workers for May 12th.

We shall have a meeting of the steering committee on May 8th to prepare our program for the following week—that of May 15th.

Mr. BROWN: Who is coming on May 12th?

The CHAIRMAN: The Canadian Association of Social Workers.

Those are the decisions which were taken last night by the steering committee for approval by the full committee. Are there any questions?

Mr. BROWN: I see that you have the Canadian Congress of Labour for the 11th?

The CHAIRMAN: Yes.

Mr. BROWN: Are there any other labour organizations coming?

The CHAIRMAN: They will be coming later.

Mr. BROWN: I see.

The CHAIRMAN: The Canadian Congress of Labour brief is to come in on Monday and it will then be distributed to the members.

Mr. BROWN: May I ask when we will cease our hearings of the various organizations?

The CHAIRMAN: The general agenda was that we would cease around the 1st of June, but we might leave that for the moment. I am going to ask that we go into camera at a quarter to six to discuss some other matters relating to the point you have raised, Mr. Brown.

Are there any questions?

Shall the report of the steering committee carry?

Carried.

Then, at a quarter to six, I will have some confidential reports to make to members of the committee.

Dr. G. F. Davidson, Deputy Minister of Welfare, recalled:

The WITNESS: Mr. Chairman, and members of the committee. We completed yesterday the section on the United States old age security program which concerns itself with means test old age assistance. Today we have the much more complicated plan which is known as the Old Age and Survivors' Insurance program. I would ask permission to place this memorandum in the record.

OLD AGE INCOME SECURITY PROGRAMS

OLD AGE AND SURVIVORS INSURANCE IN THE UNITED STATES

RESEARCH DIVISION

DEPARTMENT OF NATIONAL HEALTH AND WELFARE

OTTAWA

MARCH, 1950

OLD AGE AND SURVIVORS INSURANCE

I—INTRODUCTION

A federal compulsory contributory insurance program designed to build up, for the future, income security against wage loss at retirement for a large proportion of the working population, was established by the Social Security Act of 1935 and came into operation on January 1, 1937. In 1939, this income maintenance program for the aged retired worker was broadened to include his eligible aged wife and child, as well as to provide survivorship protection for the widow and child and, in certain instances, for a dependent parent. Under the same Act a state-federal program of old age assistance was also established.

In January 1935 the President's Committee on Economic Security stated in its report that at least one third of all the people, on reaching old age, were dependent upon others for support. By providing the OASI program, the United States Congress recognized the fact that most workers do not accumulate, through their working life, sufficient resources to provide adequate income maintenance for old age, or for their dependent survivors in the event of death. The adoption of this program also indicates an acceptance of the conclusion that any system of social insurance that is to provide broad coverage against these risks must be compulsory.

One of the most important considerations in establishing the contributory OASI program, was the prospective mounting cost of non-contributory means test old age pensions. While the federal government was prepared to assist the states financially in the provision of such pensions, there was concern over the extremely burdensome cost in future years, and it was considered essential to design an old age income security program which would build up benefit rights over a period of years for a large proportion of the working population and thus minimize the financial burden of the companion measure of old age assistance.

The OASI program has not yet fully achieved the hope of establishing a long-term income maintenance program for the aged providing adequate benefits, under a compulsory contributory insurance method of financing. This is illustrated by the fact that in December 1949 aged beneficiaries (retired workers and aged wives, aged widows and certain dependent parents) under OASI numbered about 1.9 million ⁽¹⁾ whereas aged recipients under OAA numbered over 2.7 million. Also, average monthly payments and total disbursements under OASI are considerably lower than under OAA. The national average payment in December 1949 to retired insured primary wage earners under OASI was only \$26.00 ⁽²⁾ as compared to the national average payment to OAA recipients of \$44.76. In addition, total disbursements to aged beneficiaries under OASI amounted to approximately \$442.5 million ⁽³⁾ in the fiscal year 1948-49, as compared to OAA payments to recipients of \$1,259 million.

The program covers, in general, wage earners and salaried employees in commerce and industry, with certain important exclusions. Three types of monthly cash benefits are provided. First, there are the benefits payable to a "fully insured" retired worker and his dependents. The benefit payable to the retired worker himself is the primary benefit on which all others depend. Secondly, there are benefits payable, under certain conditions, to certain survivors of a deceased worker. Benefits are paid to an aged widow, or to a parent, if the worker was "fully insured" at the date of his death. The benefits

⁽¹⁾ In addition, OASI monthly benefits were paid to some 792,000 persons (younger widows and children of retired or deceased wage earners).

⁽²⁾ The average monthly benefit to a retired worker will rise as the scheme matures.

⁽³⁾ In addition, about \$132 million was paid to dependent children of retired workers and certain younger survivors, and approximately \$32 million in the form of lump sum death benefits.

to a widow with a dependent child, and to the worker's dependent child, are payable if the deceased worker was "fully" or "currently" insured. Thirdly, to help meet the special expenses of illness and death, a lump sum payment is granted to the widow or widower of a "fully" or "currently insured" deceased worker, providing no survivor is immediately eligible for monthly benefits.

To obtain the basic monthly retirement benefit (the primary insurance benefit), a wage earner must secure a certain number of "quarters of coverage", i.e. calendar quarters in which the worker has been paid not less than \$50 in wages in covered employment. A worker is "fully insured" when he has to his credit at least half as many quarters of coverage as the number of calendar quarters that have elapsed since January 1, 1937, or after the quarter in which he attained age 21, whichever quarter is later, up to the quarter in which he attained age 65 or died, whichever first occurred. With 40 quarters of coverage, a worker is fully insured as long as he lives. Fully insured status confers all benefit rights outlined in the preceding paragraph, to a worker, his dependents, and survivors.

A worker attains "currently insured status" when he has received wages of not less than \$50 in each of 6 or more calendar quarters out of the 13 quarters immediately before his death, including the quarter in which he died. Such status does not provide any monthly benefit rights to the aged widow, but gives the child of a deceased worker, and his widow, if she has the worker's child in her care and if the child is receiving a monthly benefit, a right to certain monthly benefits. Currently insured status further provides to a widow or widower or other person, the right to a lump-sum payment at death of worker if no surviving widow, child or parent is immediately eligible for monthly benefits.

The amount of a worker's primary insurance benefit is important to his dependents and survivors, since all benefits are calculated as a percentage of it. In the case of a wife, child or dependent parent, the benefit payable is equal to one-half the primary benefit of the insured worker; the monthly benefit payable to a widow is calculated as three-fourths of the primary benefit. The lump-sum death benefit is six times the primary benefit.

The primary insurance benefit is based upon "the average monthly wage" earned by a worker since the commencement of the program on January 1, 1937. The average monthly wage is computed by dividing the total wages earned in covered employment and subject to the social security contribution, by the total number of months elapsing after 1936, up to the calendar quarter in which the worker attained age 65 or died. The benefit formula then applied to a worker's average monthly wage is as follows: 40 per cent of the first \$50 of average monthly wage, plus 10 per cent of the remainder (not exceeding \$250); in addition, the amount so calculated is increased by one per cent for each calendar year in which the insured earned \$200 or more in covered employment.

There is no maximum primary benefit as such, but the wage base and the benefit formula operate to effect a maximum limit for each worker. The minimum primary benefit is \$10 monthly. A maximum family benefit has been set at \$85, 80 per cent of the average monthly wage, or twice the amount of the worker's primary benefit, whichever is least. The minimum family benefit is \$20 monthly.

The monthly benefits of a retired worker, and those of his wife or child, are suspended for any month in which a beneficiary earned wages of \$15 or more in covered employment. Wages earned in non-covered employment do not affect the amount of continuance of monthly benefit payments.

OASI is financed by a social security contribution of $1\frac{1}{2}$ per cent on the first \$3,000 of the employees' earnings, together with a payroll tax of $1\frac{1}{2}$ per cent levied on their employers. No direct government contribution is made although an appropriation from general revenues is authorized to finance, when required, the payments and benefits provided under OASI.

The method of financing the program, which is based upon the contributory insurance principle, rather than on alternative methods, continues to remain the basic theoretical American approach to the problem of meeting under public auspices the financial contingencies of old age. This fact is indicated by the following selected quotations from the report of the Committee on Ways and Means, established in 1949 to extend and improve the federal program of OASI.

. . . A contributory system of social insurance in which workers share directly in meeting the cost of the protection afforded is the most satisfactory way of preventing dependency. A contributory system, in which both contributions and benefits are directly related to the individual's own productive efforts, prevents insecurity while preserving self-reliance and initiative.

Under social insurance, benefits are computed individually in each case, on the basis of earnings, in covered employment. Because benefits are related to average earnings, and hence reflect the standard of living which an individual has achieved, ambition and effort are rewarded; since they are also related to length of service in covered work, individual productivity is encouraged and the Nation's total production is increased.

Because benefits under the insurance system are paid as a matter of right following cessation of substantial covered employment, the worker's dignity and independence are preserved.

Knowing that any assets and resources he may accumulate will not disqualify him and his dependents for benefits, the worker is encouraged to make private savings in order to supplement his social insurance benefits.

Social insurance has other desirable attributes. Because benefits are geared to contributions, the pressure for an unwarranted scale of payments is held at a minimum. Social insurance has a stabilizing influence on the economy by maintaining steady flow of purchasing power in adverse times, and thus helping to protect the Nation from serious economic maladjustment.

For these reasons the contributory system of old-age and survivors insurance, with benefits related to earnings and paid as a matter of right, should continue to be the basis method for preventing dependency. . . (1)

The present system of OASI will be presented under the general chapter headings, Coverage, Contributions, Benefits, Finance, and Administration, to follow.

II COVERAGE

Under the present law Title 2 of the Social Security Act, membership in the program is compulsory for any person who is an employee of another person, with many specified exceptions. There are no citizenship or residence requirements, (2) since eligibility depends essentially on a prior record of contributions.

The total civilian labour force in the calendar year 1948 has been estimated at 61.4 million persons. Fifty-nine million four hundred thousand were considered employed in an average work week; of this number, an estimated 35.3 million, or 59.4 per cent of the employed civilian labour force, were in employment covered under OASI whereas about 24.0 million persons were employed in non-covered occupations. In short, it has been estimated that only three out of every five jobs are covered under OASI. However,

(1) Committee on Ways and Means, House of Representatives, 81st Congress 1st Session, Report No. 1300 to accompany H.R. 6000, Washington, 1949, pp. 2-3.

(2) OASI does not operate in the Virgin Islands, or Puerto Rico but does include Hawaii and Alaska.

certain persons are engaged in covered employment for only some part of the year, and, therefore, while only about 35 million individuals were engaged in covered employment at any one time in 1948, over 50 million worked in covered employment in the course of the year.⁽¹⁾

1. *Employments not Covered* (2)

The main groups of workers now excluded from OASI are as follows:

(a) *Agricultural Labour*

The general term "agricultural labour"⁽³⁾ includes the service of hired farm hands, self-employed farm operators, unpaid family workers and those workers employed in the harvesting or production of certain agricultural commodities (e.g. fruit and vegetables). Those employed in "agricultural labour" represent the largest excluded group. In an average work week in the year 1948, an estimated 7.9 million workers in agriculture were not covered. These persons were divided as follows:⁽⁴⁾

<i>Type of Agricultural Worker</i>	<i>Estimated Number Employed in an Average Work Week</i>	<i>Estimated Number Employed in the Course of a year</i>
Farm Operators (self-employed).....	4.7 million	6.0 million
Hired Workers	1.7 million	4.7 million
Unpaid Family Worker	1.6 million	— ⁵
Total	7.9 million	

It should be noted that the estimated numbers employed in an average work week are considerably less than the total number employed in the course of a year.

(b) *Non-Agricultural Self-Employed*

Small-business and professional persons make up the largest single category of persons excluded from OASI, as distinct from the total number in the agricultural group. In an average work week, in 1948 an estimated 6.1 million were in this category and, if employment over the course of the year is considered, this figure rises to 7.7 million. About 35 per cent of this latter figure are said to be in retail trades, 18 per cent in the service trades, 12 per cent in the construction industry and some 10 per cent in the professions. The remaining 25 per cent is accounted for by smaller groups, including manufacturers, wholesale merchants, agents and brokers, and owners of transportation, insurance, and real estate enterprises. The self-employed were excluded from the original program largely because, at that time, there was no agreement on a feasible method of obtaining the necessary reports of their income. "Subsequent developments have indicated that most self-employed persons can report their income, for purposes of coverage, as part of their income tax returns."⁽⁶⁾

(c) *Federal, State and Local Government Employment*

Certain federal civilian and military employees totalling 1.8 million in an average work week, in 1948 (excluding military personnel) are now excluded

(1) See Committee on Ways and Means, House of Representatives, 81st Congress, 1st session, "Hearings Before the Committee on Way and Means on H.R. 2893, (Social Security Act Amendments of 1949)" Washington, 1949, p. 1083.

(2) For complete definitions of the terms "employment" and "employee" see pages 22-26 and page 114, *Compilation of the Social Security Laws*, Washington, 1948.

(3) The terms "agricultural labour", "farm", etc., are defined in Section 209, Subsection 1, p. 24, Social Security Act.

(4) *Hearings on H.R. 2893*, pp. 1084-87, and pp. 1161.

(5) Not known.

(6) *Hearings on H.R. 2893*, p. 1084.

from OASI coverage. Although most Federal employees are now protected by existing retirement systems, they lose continuity of coverage when they shift between Federal employment and employments covered by OASI.⁽¹⁾ Coverage has not been extended to some 3.5 million state and local employees primarily because of the constitutional difficulty of taxing state and local governments.

(d) *Domestic Service*

About 1.7 million domestic servants in private homes in an average work week in 1948, (or an estimated 3 million in the course of the year) were excluded. A main reason for originally excluding this group was "the administrative difficulty due to the large number of small employers involved and the fact that most of these employers do not keep books and would find difficulty in making reports."⁽²⁾

(e) *Employment in Non-profit Institutions*

Both professional and non-professional employees performing service for religious, charitable, scientific, literary, educational, and similar non-profit organizations are now excluded. It is estimated that at present some 600,000 persons in this category are excluded. The original exclusion of this group was based largely on the belief by some leaders of opinion in the non-profit field that "an extension of OASI Insurance... might impair religious and academic freedom, and the separation of church and state... Some feared that to levy the employer tax on non-profit institutions would undermine the traditional tax-exempted status of charitable institutions..."⁽³⁾

As long ago as 1938, the Advisory Committee on Social Security, composed of employers, employees and the public, recommended that non-profit institutions be included under OASI. It is considered that not more than about a third of the persons in this category are covered by any formal retirement plan and that very few of such plans extend protection to survivors.

(f) *Other Excluded Employments*

The Act excluded certain other classes of employment as follows: family workers, i.e., employment by member of one's family and, in the case of a child under the age of 21, employment by his father or his mother, casual labour, news boys under 18 years, employment as a student nurse or intern, employees of foreign governments and their instrumentalities. Railroad employees are also excluded under the Act. Many work in employments covered under OASI in the course of a year, but no provision has been made to combine wages earned under the Railroad Retirement Act and those earned under OASI, for purposes of paying retirement benefits. However, the amendments to the Railroad Retirement Act of 1946 provided that benefits payable under either program to the survivors of a deceased wage earner would be based on the worker's combined earnings under both programs.

On the following page, Chart 1 depicts the estimated number of persons in industries covered by OASI, and in selected non-insured employments, for the calendar year 1948, based upon the employed civilian labour force in an average week. Some 4.7 million self-employed farm operators have been included under agricultural employment; the 6.1 urban self-employed are placed in a separate category.⁽⁴⁾

(1) This "in and out" employment is of course common to a great number of wage earners.

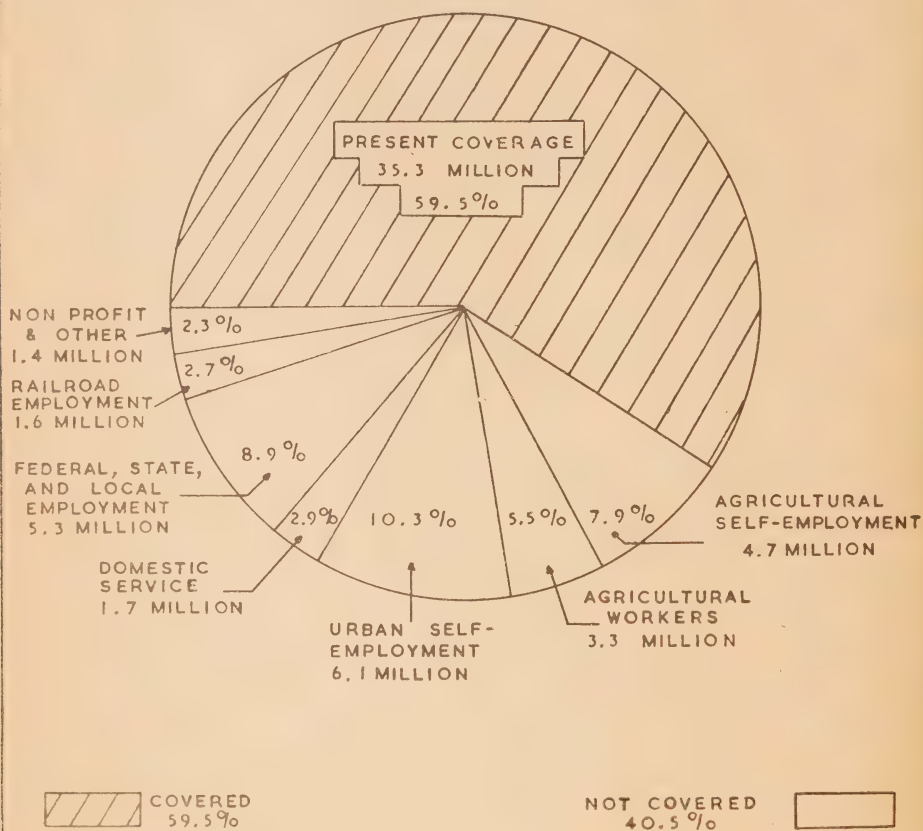
(2) *Hearings, op. cit.*, p. 1085. It is now generally accepted that this group, together with farm workers, could be covered by the use of a stamp-book system. See Chapter V.

(3) Social Security Administration, *Social Security Bulletin*, August, 1944, p. 5.

(4) Data obtained from *Hearings op. cit.* p. 1161.

CHART I

ESTIMATED PROPORTION OF THE EMPLOYED
LABOR FORCE IN COVERED AND SELECTED
NON-COVERED INDUSTRIES, OLD AGE AND
SURVIVORS INSURANCE, CALENDAR YEAR 1948



RESEARCH DIVISION — DEPT. OF NAT. HEALTH & WELFARE

III CONTRIBUTIONS

The program is financed by equal contributions on employees and employers. These contributions are generally referred to as payroll taxes. The original Act of 1935 made provision for a contribution by employees of one per cent per annum on the first \$3,000 of wages, for the calendar years 1937, 1938 and 1939; the employer payroll tax rate was also fixed at one per cent for the same period. The same Act provided that these rates would rise to 1½ per cent each on January 1, 1940, with a further increase of one-half per cent every three

years until rates of three per cent each were reached on January 1, 1949. By successive annual acts of Congress the one per cent rates were extended through 1947. In that year Security Act amendments fixed the rate of one per cent for employees and the same amount for employers, through to 1949, but provision was made that the rate would rise to $1\frac{1}{2}$ per cent each for 1950 and 1951 and two per cent each for 1952 and thereafter. At present the rate is $1\frac{1}{2}$ per cent each on employees and employers.

The Federal government makes no direct contribution to the program although it pays interest on the invested reserves of the program. The Revenue Act of 1943 (Section 902) does authorize the appropriation to the OASI Trust Fund ⁽¹⁾ of such additional amounts, out of general revenues, as may be required to finance the benefits and payments provided under OASI; no appropriations have yet been made under this authorization.

(a) *Maximum Base for Contributions*

The present upper limit on earnings subject to contributions is \$3,000. When this maximum was set in 1939 only about five per cent of those workers regularly employed in covered industries earned over \$3,000; at today's wages, about 37 per cent of the workers regularly in covered employment earn more than \$3,000. ⁽²⁾

IV BENEFITS

1. *Insured Status*

The amount of benefit depends to a considerable extent upon three factors first, the length of time an individual actually works in insured employment, secondly, the amount of his earnings, and thirdly, the amount of time that has elapsed since January 1, 1937. The term "insured" status denotes the extent to which the amount and duration of contributions establishes the eligibility for benefit of a worker, his dependents, and his survivors. There are four levels of insured status, viz., permanently insured, fully insured, currently insured and non-insured.

A worker's insured status is dependent upon his "quarters of coverage" i.e., calendar quarters in each of which he has earned not less than \$50 in covered employment.

(a) *Permanently Insured Status.* Once a worker has earned 40 quarters of coverage, he has permanently established his right to benefits, no matter when the quarters of coverage took place and even if he obtains no further quarters of coverage.

(b) *Fully Insured Status.* To obtain fully insured status, a worker must have obtained one quarter of coverage for every two calendar quarters since the start of the program in January 1, 1937 or since he attained age 21, whichever is the later. A minimum of six quarters of coverage is also necessary. The quarter in which he attains the age of 65 or died, whichever first occurred, is excluded from the computation of quarters of coverage.

(c) *Currently Insured Status.* A worker is currently insured when he has obtained six or more quarters of coverage out of the thirteen immediately preceding his death, including the quarter in which he died. Currently insured status operates to provide eligibility for certain survivors in the case of a worker who had had an interrupted coverage or who had only recently become attached to the covered labor force.

⁽¹⁾ See Chapter V for discussion of the Trust Fund.

⁽²⁾ The recommendations which have been made in this regard by the Advisory Council on Social Security to the Senate Committee on Finance, as well as the Social Security Administration would increase this amount to \$4,200 and \$4,800 per year, respectively.

(d) *Non-insured Status.* Persons who have worked in covered employment for a number of short periods, not totalling 40 quarters, or who have had only very short employment, are not in any of the above categories and have no insurance status.

The following table shows the approximate number of living persons who had worked under covered employment from January 1, 1937 to January 1, 1949 classified according to their insured status on the later date.

Permanently Insured	13 million
Fully Insured	25
Currently Insured	5
Non-insured	35

All persons with some time in covered employment	78
--	----

2. *Primary Insurance Benefit*

The basic monthly cash benefit payable to a fully insured worker at age 65, is known as the primary insurance benefit. The amount of all other benefits is related to the primary insurance benefit. The primary benefit is based upon the "average monthly wage" earned by a worker since the inauguration of the program on January 1, 1937.

(a) *Average Monthly Wage.* The method of computation of the average monthly wage has modified somewhat the principle that an individual's primary benefit, (and therefore those benefits payable to his family), are based upon his previous earnings. A retired worker's "average monthly wage" is computed by dividing the total wages subject to the social security contribution by the total number of months elapsing after 1936 ⁽¹⁾ up to the quarter in which he attained age 65 or died. Wages earned after age 65 years are included only if the result increases the average monthly wage.

It is important to note that this method of computing a worker's average monthly wage is based on his total taxable wages in covered employment. Thus the low wages earned when a worker was learning his trade or business are included. Also, since there is a long term upward trend of wages, the "average monthly wage" will not remain reasonably representative of current wage levels and will not be representative of his wage loss at death or retirement. Furthermore, a worker's month of employment in non-covered industries as well as months of unemployment or disability operates to lower his average monthly wage, which in turn lowers his benefit amount. As with other problems of coverage, and benefit amounts, various suggestions have been made to expand and liberalize the program, including revision of the method of computation of the average monthly wage; these recommendations will be discussed in a later chapter.

(b) *Primary Benefit Formula.* The monthly primary benefit is calculated as follows:

- (i) 40 per cent of the first \$50 of average monthly wage, plus
- (ii) 10 per cent of the next \$200 of average monthly wage, plus
- (iii) One per cent of the sum of (i) and (ii) for each calendar year in which the worker earned at least \$200 in covered employment.

When the primary benefit is less than \$10, it is presumed to be \$10.

The formula itself is weighted in favour of workers of lower income. For example, assuming ten years of covered employment, the primary benefit of \$10 (minimum) represents 50 per cent of an average monthly wage of \$20, whereas

⁽¹⁾ Excluding any calendar quarter before age 22 years, in which the worker has earned less than \$50.

this percentage falls to 17.6 for the worker whose average monthly wage is \$250. The monthly primary benefits of a retired worker and these benefits as a percentage of his average monthly wage are shown in Table 1, for various wages and years of coverage.

3. Dependents' Benefits

(a) *Wife's Benefit.* A benefit equal to one-half the primary insurance benefit is payable at age 65 ⁽¹⁾ to the wife of a retired worker eligible to receive monthly benefits.

TABLE I

MONTHLY PRIMARY BENEFITS, AND MONTHLY PRIMARY BENEFITS AS PERCENTAGE OF SELECTED AVERAGE MONTHLY WAGES, BY SELECTED YEARS OF COVERAGE, OASI, 1949 LAW⁽¹⁾

Average Monthly Wage	5 years		10 years		20 years		30 years		40 years	
	Benefit Amount	Per cent of Monthly Wage	Benefit Amount	Per cent of Monthly Wage	Benefit Amount	Per cent of Monthly Wage	Benefit Amount	Per cent of Monthly Wage	Benefit Amount	Per cent of Monthly Wage
\$	\$		\$		\$		\$		\$	
30 ²	12.60	42.0	13.20	44.0	14.40	48.0	15.60	52.0	16.80	56.0
40.....	16.80	42.0	17.60	44.0	19.20	48.0	20.80	52.0	22.40	56.0
50.....	21.00	42.0	22.00	44.0	24.00	48.0	26.00	52.0	28.00	56.0
75.....	23.63	31.5	25.00	33.3	27.00	36.0	29.25	39.0	31.50	42.0
100.....	26.25	26.25	27.50	27.5	30.00	30.0	32.50	32.5	35.00	35.0
125.....	28.88	23.1	30.25	24.2	33.00	26.4	35.75	28.6	38.50	30.8
150.....	31.50	21.0	33.00	22.0	36.00	24.0	39.00	26.0	42.00	28.0
200.....	36.75	18.4	38.50	19.3	42.00	21.0	45.50	22.8	49.00	24.5
250 ³ and over....	42.00	16.8	44.00	17.6	48.00	19.2	52.00	20.8	56.00	22.4

¹ Source: Based on the *Social Security Act*.

² The benefit amount payable on an average monthly wage of less than \$30, up to 20 years of coverage, is below the minimum benefit (\$10) and is therefore brought up to \$10.

³ The percentages in this line are based on an average monthly wage of \$250.

The term "wife" means the wife of a retired beneficiary who is living with the beneficiary, or receiving support from him, or legally entitled to support, and who is either the mother of his son or daughter, or was married to him for at least 36 months before or 36 months after he applied for benefit.

A wife, however, may receive a primary insurance benefit gained through her own wage credits as a retired insured worker. If, for any month his primary benefit equals or exceeds one-half the primary benefit paid to her husband, her wife's benefit is discontinued for that month and she receives only her own primary benefit. In a case where a wife's primary benefit is less than one-half the primary insurance benefit being paid to her husband, her wife's benefit is reduced by the amount of her primary benefit. In short then, when a woman is eligible both for a primary and a wife's benefit (as a dependent), only an amount equal to the higher of the two is payable.

(b) *Child's Benefit.* A child of a retired insured worker receiving monthly benefit payments is eligible for a benefit equal to one-half of the primary insurance benefit being paid to the individual on whom the child is deemed to be dependent.

The term "child" is defined as an unmarried person under 18 years, and includes a legally adopted child or stepchild, (provided the child has enjoyed such status for 36 months prior to application). The term also includes an illegitimate child or a child born of a bigamous marriage, if the child may inherit

(1) If the wife is less than 65 years at the time her husband begins to receive monthly payments, she is eligible as soon as she reaches 65 years.

from the worker under state law. In many states, however, the illegitimate child has no legal relationship to his father. "Child" also includes a child legally adopted by a step-parent, grandparent, aunt or uncle.

The concept of "dependency" under the Act is an important one. A child is considered dependent on his father if the father is living with him or contributing to his support. Even if the father is not living with the child or contributing to his support, the child, if legal, is considered dependent upon his father, unless he is living with and being chiefly supported by a step-father, or has been adopted by some other person. An adopted child is considered dependent upon his adopting father under the same conditions as those which apply to a father and his natural child. A child is considered dependent upon his step-father only if such child is not living with his own father or an adopting father and is not receiving contributions for the child's support from either of them.

It should be noted that there are certain variations in the concept of "dependency" under the Act. For example, a foster child placed permanently in a foster home which is not receiving contributions from the child's father for the child's support, is not entitled to receive a child's benefit by reason of the insured status of his foster parents. On the other hand, a child taken into a foster home, and later adopted, becomes eligible for a child's benefit through his adopting father.

Furthermore, in certain other cases, a child's benefit rights are derived only from his father; for example, a child of a wage earning mother and an invalid father is not eligible to receive a child's benefit on the death of his mother, because his father is presumed to be the wage earner and, therefore, the child is not deemed to have been dependent on his mother. That the husband is presumed to be the wage earner is also illustrated by the fact that the dependent husband of an insured, retired, or deceased wife, is not eligible for benefits.

4. *Survivors' Benefits*

(a) *Widows' Benefits.* A widow's benefit is equal to three-fourths of the primary benefit of her "fully insured" deceased husband. This benefit and the "widow's current benefit" described below, are the only benefits payable under OASI which provide three-fourths of the primary benefit of the wage earner; all other benefits are calculated as one-half the primary benefit.

Both these widows' benefits equal one-half of the total amount payable to a retired man and his wife.

A widow is eligible for benefit at age 65⁽¹⁾, if her husband was fully insured, and if she was living with him at the time of his death, or receiving regular contributions, or legally entitled to receive support from him. In addition, she must have been married to her husband for twelve months prior to his death or be the mother of his child, and must not have remarried.

The widow who is eligible both for widow's benefit, and for a primary insurance benefit by reason of her own wage credits, is eligible only for an amount equal to the higher of the two benefits.

(b) *Child's Benefit.* A child of a deceased worker who died fully or currently insured is eligible to receive a child's benefit up to 18 years of age, equal to one-half the primary benefit of the deceased parent on whom the child was dependent. The benefit continues so long as the child holds the status of a dependent, or reaches 18 years. Other qualifications are the same as those applying to the child of a retired beneficiary, except that a legally adopted child or step-child must have attained this status at least twelve full months before the worker's death.

⁽¹⁾ If she was under 65 at the time of her husband's death, she may become eligible for monthly benefits when she reaches 65.

(c) *Widow's Current Benefit.* To provide survivorship protection for a widow whose husband was fully or currently insured, and who had the responsibility of caring for his child, a "widow's current benefit", equal to three-fourths the estimated primary benefit of her husband, is payable. This benefit is payable to a widow at any age so long as she has a child entitled to a child's benefit, and so long as she does not remarry.

(d) *Parent's Insurance Benefit.* A parent, step-parent, or an adoptive parent (who has acquired this status before the child was 16 years old), of a fully insured deceased worker is eligible to receive at age 65⁽¹⁾ a monthly benefit of one-half the primary benefit of the deceased worker, if there is no widow or children who could ever qualify for a monthly benefit. The parent's benefit, designed to provide survivorship support to an aged dependent parent, requires that the parent must offer proof, within two years of the death of the worker, that he and/or she was "chiefly dependent upon and supported by the worker".

When there is more than one worker with respect to whose wage credit the parent would be entitled to receive a benefit, such benefit is based upon the wage credit of the worker whose primary benefit is largest. The parent's benefit continues until the parent dies, marries, or becomes entitled to receive, for and month, an insurance benefit which equals or exceeds one-half of the primary benefit of the deceased worker.

(e) *Lump-Sum Death Benefit.* To help meet the special expenses of illness and death, a lump-sum death benefit, equal to six times the primary benefit of a fully or currently insured deceased worker is payable to the widow or widower who was living with the deceased at the time of death, provided no surviving widow, child or parent is immediately eligible for monthly benefits. If there is no eligible widow or widower, the lump sum may be paid to the person or persons who paid the funeral expenses, or to the deceased worker's estate if the funeral expenses were paid from it.⁽²⁾ Claims for the death benefit must be filed within two years after a worker's death.

(f) *Survivors of Veterans.* In order to guarantee survivorship protection to Veterans of World War II, the Social Security Act amendments of 1946 provided that an individual who was on active service between 1940 and the end of the war, and who died within three years following his discharge, would be treated as having been fully insured in covered employment during his period on active service. Accordingly, his survivors are entitled to monthly benefits and lump-sum death payments, unless pension or compensation is payable by the Veterans Administration.

5. MAXIMUM MINIMUM BENEFITS

(a) *Primary Benefit.* There is no maximum primary benefit as such, but the wage base and the benefit formula currently in use operate to effect a maximum limit for each worker. For example an average monthly wage of \$250 with 20 years of covered employment would entitle the worker to only \$48 monthly primary benefit.⁽³⁾ The minimum primary benefit is \$10 monthly.

(1) If the parent is under 65 years at the time of the worker's death, he may become eligible for monthly benefits upon reaching 65 years.

(2) Prior to the Social Security Amendments of 1946, lump-sum death payments were payable to the following persons, in the order listed: widows or widowers, children, grandchildren, parents, or in the event that none of these survived, to other persons who might have been equitably entitled by reason of having paid the burial expenses. Payments to the persons listed were contingent upon the fact that no surviving widow, child, or parent was immediately eligible for monthly benefits.

(3) See Table I.

(b) *Family Benefit.* The maximum family benefit has been set at \$85, 80 per cent of the average monthly wage, or twice the amount of the worker's primary benefit, whichever is least. In no case, however, can the family benefit be reduced below \$20. The requirement that benefits may not exceed twice the amount of the primary benefit is unduly restrictive on survivor's families in the middle income groups which include most insured workers' wages.

6. *Employment Income Limitations*

The present law provides that benefits will be suspended for any month in which a beneficiary earns wages of \$15 or more in *covered* employment. This is known as the retirement test, the primary purpose of which is to provide a measure of the beneficiary's substantial retirement from the covered labour force. Suspension under this provision applies not only to the benefits of the primary beneficiary, but also to those of his wife or child. To illustrate the significance of this limitation, it has been estimated that as of December 31, 1947 more than \$6 million monthly was withheld from some 281 thousand beneficiaries earning above the allowable monthly income limit. In about 82 per cent of the cases, the benefit was withheld due to the employment of the beneficiary, and in the case of the additional 15 per cent, suspension was due to the employment of the primary beneficiary on whose wages a dependent's or survivor's benefit was based.

"This provision at prevailing wage rates, means that relatively few beneficiaries can work even part time without loss of benefits".⁽¹⁾ As employment conditions and wage rates vary, there is general agreement that the level of allowable wages under this provision must be considerably increased to provide a more real measure of the beneficiary's substantial retirement from the covered labour force.

7. *Number and Amount of Monthly Benefits*

The number of monthly benefits in current payment status for December 31, 1949, are shown below together with total amount paid, and average monthly payments.

TABLE II
NUMBER OF BENEFICIARIES, TOTAL PAYMENTS, AVERAGE BENEFIT,
BY TYPE OF BENEFIT, DECEMBER 1949

Type of Benefit ⁽¹⁾	Number	Monthly Payments	
		Amount	Average
		\$000	\$
Primary.....	1,285,893	33,437.4	26.00
Wife's.....	390,583	5,376.3	13.76
Child's ⁽²⁾	639,437	8,427.0	13.18
Widow's.....	261,336	5,441.9	20.82
Widow's Current.....	152,121	3,206.8	21.08
Parent's.....	13,438	185.0	13.77
Total.....	2,742,808	56,074.4	

Source: Social Security Bulletin, March 1950, Table 7, p. 22.

⁽¹⁾ Lump-sum death benefits for December 1949 are not available. Lump-sum awards for October-December 1949, numbered 49,698.

⁽²⁾ Includes children of both retired and deceased workers.

⁽¹⁾ Federal Security Agency, *Annual Report, 1948*, Washington, 1949, p. 106.

8. Adequacy of Benefit Amount

For some years there has been widespread recognition of the inadequacy of the amount of benefit payable under OASI. The average primary benefit as of December, 1949 was \$26 compared to the average payment of \$44.76 under the Old Age Assistance program. During the period 1940 to 1949 the average primary insurance benefit increased only 19 per cent whereas, in the same period, consumer prices had increased about 70 per cent and the average wages in manufacturing industries about 125 per cent.

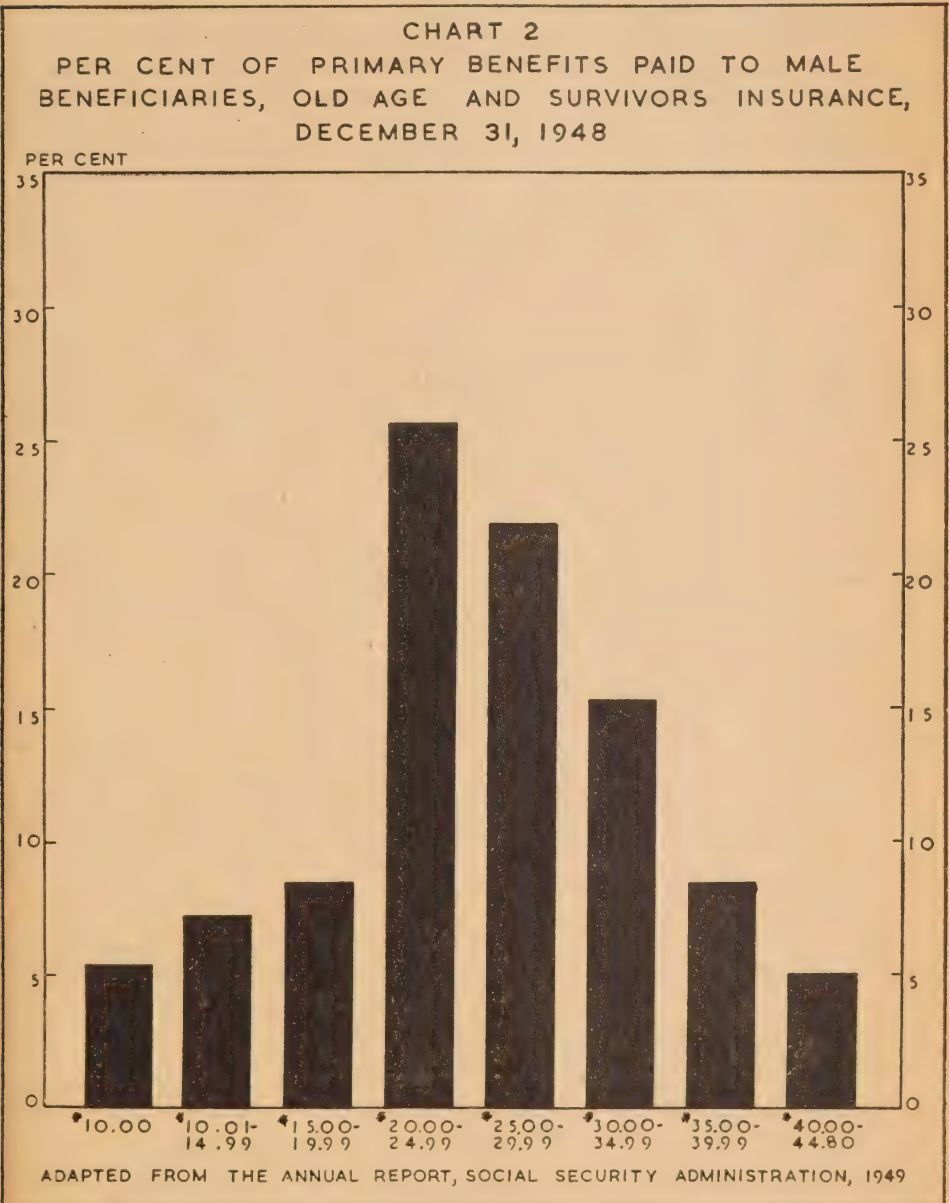


Chart 2 shows, for December, 1948, the wide variations in the size of primary benefits received by male beneficiaries, ranging between \$10 and \$44.80 around the average primary benefit of \$25.35. It will be noted that almost one-half of the male primary beneficiaries receive less than \$25. In the same month just over three-quarters of all the females receiving primary benefits, received less than \$25. This range of benefits is, of course, the product of several factors including the average wage of workers, the \$3,000 maximum limit on taxable wages, the number of quarters of contribution and the continuity of coverage. A glance at the range of payments makes understandable the fact that "some ten per cent of the insurance beneficiaries have to have public assistance and many rely on help from relatives." (1)

The Social Security Administration has recommended that the present average primary benefit be doubled, to provide more adequately for the maintenance of a retired worker. To obtain this increase for all wage levels and for persons of different employment patterns, changes will be needed in the maximum amount of wages credited towards benefits, in the calculation of the average monthly wage, and in the benefit formula applied to that wage.

V. FINANCES

1. TRUST FUND OPERATIONS

The Social Security Act of 1935, Title II, created an account in the U.S. treasury called the Old Age Reserve Account, into which was to be paid annually "an amount sufficient as an annual premium to provide for payments required under this title, such amount to be determined on a reserve basis in accordance with accepted actuarial principles . . . and based upon an interest rate of 3 per cent per annum compounded annually.

The 1939 amendments to the Act established an independent Federal Old Age and Survivors' Insurance Trust Fund, with a Board of Trustees composed of the Secretary of the Treasury (managing trustee), the Secretary of Labour, and the Federal Security Administrator. The amendments abolished the clause relating to the annual appropriations, and the requirement to determine these annual appropriations "on a reserve basis . . .", and provided that the Fund should receive an annual amount equal to 100 per cent of the taxes (including interest penalties and additions to the taxes) collected under the Federal Insurance Contributions Act. The Board of Trustees must make an annual report to Congress on the operation and status of the Fund during the preceding year and the next ensuing five fiscal years, and must report immediately to Congress when, in the opinion of the Board, the Trust Fund will exceed three times the highest annual expenditure anticipated during the ensuing five fiscal years; the Trustees must also report whenever the amount of the Trust Fund is believed to be unduly small.

(a) *Receipts of the Fund*

The primary source of the Fund's receipts is the contributions collected from employees and employers. In the fiscal year 1948-49, the 1 per cent rates (which were increased to 1½ per cent, each, for employees and employers on January 1, 1950, and will increase to 2 per cent on January 1, 1952) yielded approximately \$1,691 million, the largest yield to date.

The second source from which the Trust Fund derives receipts, is interest on investments held by the Fund. The Managing Trustee (Secretary of the Treasury) is required to invest that portion of the Fund not required to meet current expenses for benefits and administration, in interest-bearing obligations of the U.S. government, or in obligations guaranteed as to both principle and

(1) *Hearing on H.R. 2893*, p. 1089.

interest by the U.S. government. Under the original Act a minimum yield of 3 per cent compounded annually, was required; in 1939 this regulation was changed to allow the purchase of the above mentioned obligations of the United States government, on original issue at part, or by purchase of outstanding obligations at market price, at a rate of interest equal to the average rate of interest borne by all interest-bearing obligations of the United States forming a part of the National Debt. In addition the 1939 amendment authorized the purchase of Treasury obligations specially issued to the Trust Fund, when the purchase of other interest-bearing obligations of the U.S. would not be in the public interest.

In the fiscal year 1948-49 interest and profits on investments totalled \$230 million as shown in Table IV.

A third potential source of Fund revenue is the authorization in 1943 of the appropriation of such funds from general revenue, as may be required to finance OASI benefits and payments. To date no such appropriations have been made.

The Trust Fund received about \$3.3 million in 1948-49 from general revenue, under a separate Act to meet the administrative and other costs of benefits payable to survivors of certain World War II veterans who receive survivorship protection for a limited period under a 1946 amendment to the Social Security Act.

(b) Expenditures of the Fund

Disbursements from the Trust Fund in the fiscal year 1948-49 amounted to approximately \$661 million, of which \$607 million was paid in the form of monthly benefits and lump-sum payments, and \$53 million for administrative expenses. In the same fiscal year a total of about \$1,260 million was expended, under OAA the state-federal "needs" test program, for needy persons aged 65 years or over.

TABLE III

BENEFIT PAYMENTS UNDER OASI, BY TYPE OF BENEFIT, FISCAL YEARS 1947-48 AND 1948-49
(Monetary Values \$ million)

Type of Benefit	1947-48		1948-49	
	Amount	Per cent of Total	Amount	Per cent of Total
I. Monthly Benefits.....	\$480.4	94	\$574.8	95
(a) Primary (retired wage earners 65 or over)...	272.4	53	333.0	55
(b) Wife's (wives 65 or over of primary beneficiaries).....	44.2	9	53.8	9
(c) Widow's (widows 65 or over of wage earners)	41.9	8	53.6	9
(d) Parent's (parents 65 or over of deceased wage earners).....	1.8	(1)	2.1	(1)
(e) Child's (dependents of retired wage earners)	3.3	1	4.0	1
(f) Child's (dependents of deceased wage earners).....	81.5	16	90.6	15
(g) Widow's current (widows of wage earners with child beneficiary).....	35.3	7	37.8	6
II. Lump-Sum Benefits (no survivor of deceased wage earner immediately entitled to monthly benefits or wage earner died before 1940).....	31.3	6	32.2	5
III. Total.....	511.7(2)	100	607.0(2)	100

Source: Unpublished data, Bureau of Old Age and Survivors Insurance, Federal Security Agency, Social Security Administration, 1950.

(1) Less than 0.5 per cent.

(2) Includes additional benefits of \$3.5 million for fiscal year 1948 and \$3.6 million for fiscal year 1949 paid under sec. 210 to survivors of certain deceased World War II veterans. Amount is reimbursable to trust fund from the general fund of the Treasury.

(i) *Benefit Payments*

The estimated distribution of benefit payments for 1947-48 and 1948-49 by type of benefit, is given in Table III. It will be noted that in the latest fiscal year that approximately 73 per cent of monthly payments were received by persons aged 65 and over, viz., retired wage earners and their wives, and aged widows, as compared to 70 per cent in the preceding fiscal year. Monthly benefits on behalf of children of retired or deceased workers, and payments to widows who had children of deceased wage earners in their care accounted for 24 per cent of all benefit payments in 1947-48, and only 22 per cent of payments in 1948-49. The balance of the 1948-49 benefit payments consisted almost entirely of lump-sum amounts to survivors who were not immediately entitled to monthly payments.

(ii) *Administrative Expenditures* (1)

In the fiscal year 1948-49 the total cost of administration amounted to \$53 million which represented 3.1 per cent of contributions and 8.7 per cent of benefit payments.

In relation to benefit payments, administration costs have decreased almost steadily from 41.7 per cent in 1940-41 when benefit payments were small, to 8.7 per cent in 1948-49.

Administration costs have been estimated to fall to 2.6 per cent of contributions in the fiscal year 1949-50, principally due to the fact that the payroll tax was increased (January 1, 1950) to 1½ per cent each on employees and employers; furthermore, administrative costs are expected to represent about 8.0 per cent of benefit payments in 1949-50 and may eventually drop to around 3 per cent. (2)

(c) *Assets of Trust Fund*

During the fiscal year ending June 30, 1949, the Fund's assets increased by \$1,263 million, to \$11,310 million. Except for \$79 million in cash to meet current disbursements, all assets in the fund were invested in Government securities as follows:

Special Certificates of indebtedness (1).....	\$9,003 million
(2½ per cent interest)	
Treasury Bonds (public issues) (2)	
2½ per cent.....	2,223
2¼ per cent.....	4
Cash	79
Total	<hr/> \$ 11,309

Source: Social Security Administration, *Annual Report*, 1949, p. 31.

(1) Special certificates of indebtedness include special obligations issued at par, exclusively to the Trust Fund, and bearing a rate of interest equal to the average rate of interest borne by all interest-bearing obligations of the U.S. forming a part of the Public Debt. They may be redeemed at par, plus accrued interests, by the U.S. Treasury.

(2) Treasury Bonds may be acquired on original issue at par, or by purchase of outstanding U.S. Government obligations at the market price. In the fiscal year 1947-48 investments of the fund included, for the first time outstanding obligations \$589 million of the U.S., purchased at a premium in the open market, which yielded a higher rate of return than the special certificates of indebtedness.

The operations of the trust fund are shown in Table IV.

It can be observed that total disbursements are growing considerably in relation to receipts; for example disbursement represented about 13 per cent of receipts in the fiscal year 1941 and 39 per cent in the fiscal year 1949. The growth in the fund's assets should also be noted.

(1) See Table IV.

(2) See A. J. Altmeyer's, (Commissioner for Social Security), testimony before the *Hearings before the Committee on Finance, U.S. Senate, on H.R. 6000* (81st Congress, 2nd Session). Washington, 1950, pp. 107-109.

2. Future Cost of Program

The Social Security Act of 1935 provided for the accumulation of an actuarial reserve to finance the program; that is, by the time the system reached maturity around 1980, sufficient reserve assets would have accumulated to yield an interest income which, with employer and employee contributions, would have financed the benefits in perpetuity. Provision was made for a one per cent tax each on employees and employers for the calendar years 1937 through 1939. These rates were to rise to 1½ per cent on January 1, 1940, with a further increase of one-half per cent every three years, until rates of three per cent each were reached on January 1, 1949.

TABLE IV

OPERATIONS OF THE OLD AGE AND SURVIVORS TRUST FUND
FISCAL YEARS ENDED JUNE 30, 1940 TO 1949

(In \$ millions)

	Fiscal Year Ended June 30									
	1940 ¹	1941	1942	1943	1944	1945	1946	1947	1948	1949
I. Receipts—										
(a) Contributions.....	1,724 ²	688	896	1,130	1,292	1,310	1,238	1,460 ³	1,617 ³	1,694 ³
(b) Interest on Investments.....	42	56	71	87	103	124	148	163	191	230
(c) Total.....	1,767	744	967	1,218	1,395	1,434	1,386	1,623	1,807	1,924
II. Disbursements—										
(a) Benefit Payments ⁴	10	64	110	149	185	240	321	426	512	607
(b) Administrative Expenses.....	12	27	27	27	33 ⁵	27 ⁶	37	41	47	53
(c) Total.....	22	91	137	177	217	267	358	466	559	661
III. Balance at End of Period	1,745	2,398	3,227	4,268	5,446	6,613	7,641	8,798	10,047	11,310

Source: Federal Old Age and Survivors Insurance Trust Fund. "Ninth Annual Report of the Board of Trustees" Washington, 1949. Data for fiscal year 1948-49 obtained from Annual Report of the Federal Security Agency, 1949, Social Security Administration Washington, 1950, pp. 30-31.

Note: Total may not add exactly, due to rounding.

(¹) January-June 1940, fund having been established in place of old-age reserve amount on January 1, 1940.

(²) This equals amounts transferred from old-age reserve account on January 1, 1940.

(³) Includes \$375,000 for fiscal year 1947, \$700,000 for fiscal year 1948, and \$3,279,000 for fiscal year 1949, to meet the administrative and other costs of benefits payable to survivors of certain World War II veterans as defined in title II of the Social Security Act amendments of 1946.

(⁴) Based on cheques cashed and returned to the Treasury.

(⁵) Includes some reimbursements applicable to outlays in other fiscal years.

(⁶) Adjusted for over-reimbursements in prior years.

Between the years 1937 and 1939, the size of reserve, which was estimated to reach \$47 million by 1980, came under attack, both by those who believed that the reserve represented a large withdrawal from purchasing power at a time of substantial unemployment, and by those who were critical of the low benefits to be paid in relation to this large reserve. In 1939 steps were taken to limit the reserve; these included the addition of dependents' and survivors' benefits without increasing contributions, placing the date for the first payment of benefits ahead from 1942 to 1940, changing the benefit formula and, finally, freezing the pay roll tax at one per cent, each, for employees and employers until 1943.

From 1943 to 1947 Congress refused to increase the pay roll tax but, since this would reduce the future interest income of the Fund, the Act was amended in 1943 to provide for the appropriation, out of general revenues, of such additional amounts as may be required to finance the OASI benefits and payments. No government contribution has yet been made under the amendment

of 1943, nor is a government contribution recommended under current legislation in regard to OASI now before Congress. In 1947, however, provision was made that the tax rate would be fixed through 1949, but would rise to $1\frac{1}{2}$ per cent for 1950 and 1951, and two per cent each for 1952 and thereafter.

The level premium cost⁽¹⁾ of the present program, using a two per cent interest rate on reserves, has been calculated as somewhere between 3.3 and 5.7 per cent of pay rolls, with an intermediate rate of about 4.5 per cent.⁽²⁾ The existing rate of a total of three per cent, rising to a total of four per cent from 1952 on, will continue slightly below the level premium cost. Accordingly, it would appear that a deficit in funds available for payments will arise in the years ahead, and will have to be made up, at that time, either by an increase in the contribution rate or by appropriations from general revenues.

VI ADMINISTRATION

The Old Age and Survivors' Insurance program is wholly administered by the federal government, with functions divided between two agencies, the Treasury and the Social Security Administration.

The administrative functions of the Treasury consist of the collection of insurance taxes, the payment of these taxes into the OASI Fund, the issuing of benefit cheques, and the appropriations of money from the Fund to cover its own and the Social Security Administration's administrative expenses.

In connection with the collection of the insurance taxes, an important change was made effective on January 1, 1950 in the method of their collection. Prior to that date, employers were required to file separate returns, one for the insurance contribution taxes and one for the income taxes, which they had deducted from their employees' wages. Under the new plan, the two collections are consolidated and a single return form is substituted for the two forms previously used. It is expected that the consolidation will effect substantial savings both to the employers and the Treasury.

All other administrative functions are carried out by the Social Security Administration, primarily through its Bureau of OASI. The Bureau consisted, in 1948, of a central office, and a number of field units including six area offices, 475 field offices, and 2,317 stations which give itinerant service.

The central office of the Bureau is responsible for keeping wage records of all workers who, by January 1, 1949, had at some time earned wages in covered employment (their records cover some 79 million accounts), supplying wage information to the field offices, and rendering wage credit reports to workers on request. In addition, the central office carries on research into administrative problems, problems concerned with the extension of the program, and into the social and economic effects of the program.

Administrative functions at the level of the six area offices, consist of reviewing all claims, adjudicating those which present special difficulties, maintaining a roll of current beneficiaries, and certifying to the Treasury the amount of payment to be made to eligible claimants.

At the lowest level of administrative organization, i.e. at the field office, administrative functions entail the issuing of account numbers, assisting workers and employers in correcting wage records, aiding claimants in filing claims for benefits and determining their entitlements, and generally acting as information centres for the insurance program.

The handling of claimants' appeals with respect to eligibility, benefit awards, or wage credits reports, is the function of a separate unit of the Social Security

⁽¹⁾ The "level premium cost" is the contribution rate beginning in 1950 that would make the insurance benefits self supporting from that year on.

⁽²⁾ Altmeyer, A. J., "Old Age, Survivors, and Disability Insurance", Social Security Bulletin, Vol. 12, April 1949, p. 14.

Administration. This unit consists of a group of administrative officials called "referees" and a supervisory Appeals Council which is directly responsible to the Administration. In cases where an applicant is dissatisfied with the decision of a "referee", in respect to an appeal, he may request a review by the Appeals Council. If the Council refuses to consider his case or makes a decision with which he is dissatisfied, the applicant may file an action in a United States District Court. (1)

The WITNESS: This is, like the old age assistance program, a part of the Social Security Act that was passed in 1935 under the presidency of the late President Roosevelt.

It is to this program that the American people have been looking, over the past fifteen years, and as evidence of their congressional committees shows, it is to this program they will continue to look in the future as being eventually the main bulwark of old age security in the United States.

In 1934, for the reasons which I dealt with in my statement of yesterday, President Roosevelt established a committee on economic security to consider ways and means by which a greater measure of security might be made available to the people of the United States. That committee, as a result of its deliberations, in 1934 submitted a report to the President in terms which led to the eventual passage of the Social Security Act. It is interesting to note that the committee, even in 1934, envisaged the eventual old age insurance program as being one of universal coverage. I mention that in the light of the comments yesterday with respect to the question of universal coverage, and the difficulties of obtaining universal coverage under the Old Age Insurance legislation in the United States. Mr. Altmeyer in his recent testimony before the Senate committee on finance reminded the committee that the original committee on economic security appointed in 1934 recommended universal coverage at that time, just as they are endeavouring to achieve it today.

The basic recommendation of the committee on economic security had of course to be conditioned by circumstances of the time and by the administrative limitations that were eventually adopted in regard to old age insurance. As they moved from the stated objective of the committee on economic security to the application of it toward the goal of a comprehensive old age contributory program, they discovered difficulties in terms of the coverage of the entire population of the United States.

I think it is fair to say because of the anticipated difficulty of collecting premiums from self-employed people, farmers, domestic servants, and so on, Congress felt obliged in 1935 to place some limit on the old age insurance enactment so that it would deal initially at least with wage earners only whom it was considered easy to reach in terms of contribution. So the old age insurance enactment when placed on the statute books in 1935 was an enactment that accepted the temporary inevitability of partial coverage of the working force rather than the desirable goal of complete and universal coverage.

It was hoped, as I said yesterday, that with the passage of the years such coverage would take most of the load, in terms of need, off the old age assistance portion part of the program and that, eventually, by progressive steps, it would be possible to enlarge the coverage of the old age security insurance program and make it the largest part of the whole social security program.

I was asked yesterday how much success had been achieved in getting a wider proportion of the total labour force under the law. I did not have those figures yesterday, but I can give the committee some information on the point today.

So far as the total labour force is concerned, coverage under the insurance program has undoubtedly increased in terms of absolute numbers; but there

(1) It should be noted that appeals or requests for reconsideration have, over the years, been relatively few as compared to the number of determinations made. In 1946-47 and in 1948-49 the total number of appeals filed were 1,658 and 2,045 respectively.

is nothing to indicate that the Social Security Act is very much farther ahead than it was in 1940 in terms of the percentage of the working force which it is presently able to cover by way of insurance.

In 1940, when the total labour force was about 55·6 million and the employed labour force around 53 million, the percentage of the employed labour force covered by old age insurance was between 52 per cent and 57 per cent, depending on whether you take the proportion for the highest or lowest calendar quarter of that year. For the year ended June 30, 1949, the comparable percentage was 56 per cent.

The point I make, therefore, is that, in answer to the question yesterday, they have not achieved, to date at least, notable success in enlarging coverage of the insurance program to include a higher percentage of the total working force.

I think in view of the interest expressed, that I might also point out the significance of another table of figures presented in evidence before the Senate committee on finance in the U.S. in January of this year by Mr. Altmeyer. This shows that by 1940, the first year in which benefits were paid under the old age insurance program, 40·8 million living persons had established wage credits under the insurance program. Of these 56·1 per cent or 22·9 million had sufficient credits to entitle them to be insured, while 43·9 per cent or 17·9 million had insufficient credits and remained uninsured.

Ten years later on January 1, 1950, the total of living persons with wage credits was 80·7 million: of these 54·2 per cent or 43·7 million had sufficient credits to be insured—which is 1·9 per cent less than was the case in 1940—and 45·8 per cent or 37 million had insufficient credits and remained uninsured.

Hon. Mr. Fogo: That figure of 80,700,000 represents the total working force of the United States?

The WITNESS: Not exactly: that is the total of all living persons on January 1, 1950 who have at any time since January 1, 1937 made contributions to the old age insurance fund.

I should point out also that while this program is known as the old age and survivors' insurance program it was not originally conceived as a survivors' program. It set out, originally, to be an old age insurance program only and, in the 1935 enactment no specific provisions were made for survivors' benefits. The original Act provided—and we will come to the exclusions later on—that under the program employers had to make deductions consisting of one per cent of the employees' wages—up to a maximum of \$3,000 yearly—in each case and that the employer must match that with an equal one per cent up to a maximum level of \$3,000. Those contributions were placed in the insurance fund. It is interesting to note that the limit was set at \$3,000 in 1935 and that \$3,000 figure remains today the same as originally set. In the meantime, due to the increase in wage levels in the States, they have had much the same problem there that we have had to cope with in our Unemployment Insurance Act—namely the fact that workers as they rise in wage scale get out beyond the program to a greater and greater extent.

By Mr. Knowles:

Q. Can you indicate the theoretical reason for putting any limit on the amount on which tax would be paid?—A. I think the theoretical explanation Mr. Knowles, is that the concept was one of a certain basic security—a certain graded benefit up to a limit; but beyond a certain given limit it was felt it was up to the individual to provide his own supplemental insurance protection if he thought he needed it—rather than that the state should intervene and tell him that he had to provide insurance protection all the way up his income level, consistent with what his previous earnings had been.

Q. Without jumping ahead, and I am not really doing that, is it not because the benefit in the end is based on average earnings?—A. Yes, but there is a ceiling to the benefit and that is an inevitable result of the ceiling on contribution.

Q. I know there is a ceiling on the benefit, but, bearing in mind the fact that the figure is averaged over a period of years, might it not work out that some employees making over \$3,000 would get the benefit of the higher wage in their benefits?—A. Under the present system?

Q. Yes?—A. No. Because it is assumed under the Insurance Act as it stands at present, and as it has been from the beginning, that any person earning say \$4,800 is only earning \$3,000 for the purposes of old age insurance.

Q. For purposes of computing the benefit which he will draw?—A. Yes, and for purposes of computing his contribution as well.

By Hon. Mr. King:

Q. Doctor, you said that 80,000,000 workers constituted the total working force?—A. No: that figure refers to all living persons who have paid in contributions since 1937. The total labour force is currently around 60 million.

Q. Of that figure only a percentage would come under the law?—A. Yes, and the percentage which I gave, Senator King, was between 55 and 60 per cent.

Q. Otherwise they are outside.

The CHAIRMAN: May I interject a question here? What is the proportion of our own working force that comes under unemployment insurance in Canada?

The WITNESS: I would not be too sure of that but I would say probably about 60 per cent before the recent changes.

Mr. MACINNIS: I think it is about that—I think the figure is 2,700,000.

The WITNESS: In other words, it has been our experience in this kind of wage deduction program, as in the old age and survivors' insurance program, that beyond 60 per cent of the central core of the steady working force it becomes increasingly difficult from the administrative end to get a contribution and benefit structure to apply to those outside fringes of the force.

Mr. SHAW: Dr. Davidson, referring to the \$3,000 ceiling of income, does that include all work groups or are certain groups excluded? Are employees in certain types of enterprises excluded, as they are in the case of our own Unemployment Insurance Act?

The WITNESS: There are certain substantial exclusions. I was coming to those. For example, if workmen in a given plant are included at all they are all included up to the highest paid executive, but he is included only to the extent that his earnings are considered as \$3,000.

Mr. FERRIE: His contribution is based on that?

The WITNESS: His contribution cannot go beyond the first \$3,000 of his salary. Likewise his benefit rate is calculated on the assumption that his salary in his lifetime never went beyond \$3,000.

By Mr. Brown:

Q. What if his salary was reduced to \$1,500 for a couple of years?—A. Then his one per cent contribution would be \$15 for those years.

Q. But he would get the same benefit?—A. May I come to that later?

The point I was on was that this was not originally conceived as being a survivors' program combined with an old age insurance program and I have described the benefit rate set originally at one per cent for employers and employees up to a maximum taxable salary of \$3,000. The original idea of the old age insurance program was that this rate of one per cent would go up every three years by $\frac{1}{2}$ of 1 per cent until it reached an eventual maximum 3 per cent levy on the wage earner and 3 per cent on the employer sometime

in the late 1940's. It was also provided originally that no benefit payments would be made out of the fund in the first five years and that the fund would be allowed to run for five years and accumulate a surplus; and the first benefit payment as such would begin on January 1, 1942.

The provision originally also was that if an individual died in the interval while no benefits were being paid, his estate was entitled to a refund of the payment that he had needlessly paid into the fund. It was on those assumptions that the insurance program was originally launched. It is interesting to note that they had from the beginning this actuarial concept, of this rather substantial reserve which would build up gradually by taking in much more in the way of contributions originally than were being paid out; and that it would be eventually stabilized some time in the future, and from then on it would strike a fairly even level.

Now, let us see what has happened since. It is interesting to note that concern was expressed in 1935 about the eventual size of the insurance reserve that was to be built up according to actuarial estimates. It was shown, for example, that the eventual reserves would amount to \$47 billion. At the time the discussions were taking place, the total United States national debt was only \$20 billion. Senator Vandenberg, as shown in the evidence before the Senate committee expressed alarm and asked a question as to what they were going to do with the huge reserve after they had bought up the entire national debt. He said they would still have \$27 billion more to invest or to handle, and he asked what they were going to do? As of January 1950, Mr. Altmeyer says that although they did not have the answer to that question in 1935 they certainly have it now.

One of the first problems that arose as this program got under way was that the fund began to accumulate—the steady mounting of the reserve which was accumulating from year to year with no payments being made out in the initial years at least, except by way of refunds in the case of death. Contributions, while the Act was passed in 1935, were not to begin until January 1937 which meant that benefits would not begin until January 1, 1942. By the time the year 1940 came around and the first stepping up of the rates from 1 per cent to 1½ per cent was coming due, both employers and employees complained about the legislation as it seemed to be developing. The employees complained about the fact that they were required to wait for five years, in their opinion needlessly, because they saw these large sums of money in the billions accumulating in the reserve fund. Employers objected to the increased levy, amounting to 50 per cent in their own case, and in the case of the workmen, when these reserves were on hand and in their opinion should be used rather than to resort to increased levies needlessly.

Under those conditions the United States Congress decided even before the first increase in the levy went into effect that they would defer the increase of ½ per cent on employers and employees. As a matter of fact they went on deferring that from 1940 to January 1st of this year when, for the first time, the extra ½ per cent was added to the original rate of 1 per cent. You see there a ten-year lag in the period in which the 1½ per cent rate was originally designed to be in effect. In addition to that, because of the large reserve piling up, it was decided in 1940 to convert the old age insurance program into an old age and survivors' insurance program as we know it today. Certain benefits were added in respect of aged widows of insured workmen who might have been on benefit for a very short period of time and who then died, leaving their widows without anything. Certain benefits were also provided for children of retired or deceased insured workmen and for widows left with young children, and even for dependent aged parents. Finally, a lump sum death payment was added under certain situations to cover the cost of the last illness and funeral expenses where there were no continuing beneficiaries.

I would like to point out in passing that as I see it at least, the moral to be drawn from this is that it is very difficult to establish an old age insurance program on this orthodox basis as a consequence of collecting money from all these people, many of whom because of death will never benefit—without also adding certain alternate benefit features to the program by way of survivors' benefits. I think the experience in the United States is that without originally intending to do so they were eventually obliged to add the alternate benefits—rather complex and varied benefits to their basic program—because otherwise there would have been considerable dissatisfaction. Had this not been done, millions of workmen would have found themselves contributing to the old age insurance fund only to find on death that their wives and children would never get any benefit other than a return of contributions paid.

As an alternative to making large and sometimes rather pointless refunds of amounts paid in it was thought wiser, in 1940, to discontinue the practice of refunding contributions of deceased workmen who died before reaching 65 and instead those contributions were converted into the other types of benefits to which I have referred.

By Mr. Ferrie:

Q. With interest added?—A. Under the 1940 amendments instead of refunding it to the estate of the deceased workman, they kept those amounts and converted them into other types of social security payments, such as payments to the widow, or the child, or dependent aged parents, or lump sum death payments.

By Hon. Mr. Fogo:

Q. I take it that these supplementary benefits would destroy whatever actuarial basis there was in the first instance?—A. They certainly would distort it. I am glad that you raised that point because it reminds me to say that it was here, with this first alteration of the Social Security Act in 1940 that you began to get a slight retreat, shall I say, from the full actuarial reserve concept of the fund as it was originally established. You get here the first indications that the United States authorities were moving over to a modified actuarial reserve concept. The minute they decided they were not going to levy the extra one-half of 1 per cent in 1940, this fact meant that they were departing from the full actuarial reserve concept and were setting up reserves only partially sufficient to meet the ultimate commitments of the fund. Likewise, when they added these supplementary benefits they departed from the full actuarial reserve concept of the fund.

Q. Then the idea of saying it was no longer necessary to have a fully funded scheme is being more generally accepted today?—A. That is correct; and one of the reasons for it is first of all the incredible size in terms of dollars of some of these fully funded schemes when you get them on a national basis; and secondly, the unpredictability in actuarial terms of certain of the contingencies which enter into the question of retirement. You can establish actuarial tables for mortality and the cost can be determined with reasonable certainty. You live and you die and that is about the end of it.

Mr. KNOWLES: Let us not go into that.

By Mr. Brown:

Q. There are some who will disagree with you there.—A. I mean, so far as the actuarial calculation is concerned. But with regard to retirement a number of psychological and other factors enter into the question; and the actuary, no matter how scientifically he approaches the problem, cannot possibly predict what the economic situation will be during the next 50 years which might induce a man to retire at the age of 65 or to work on from 65. I mean things of that

sort. The result of modifying this original full actuarial reserve concept is that today the actuarial reserve is about \$11½ billion, and that represents an actuarial shortage of the order of \$7 billion at the present time.

By Mr. Brooks:

Q. Where would they be if they had carried out their original concept and had not dropped it in 1940 and added the 50 per cent?—A. If they had continued with their original basis, they would by this time, I think, be up to their full 3 per cent rate of contribution because there would be a ½ per cent increment every three years. So their full actuarial reserve as of today would have been of the order of \$18 billion or more.

Q. Would it have been sufficient to carry out their original idea?—A. I could not answer that question with any certainty. But as a result of the changes which were made in 1940 there was a departure from the full actuarial reserve concept, and also a departure from the single purpose concept of the original insurance program as being solely for old age insurance.

I am not going to repeat the comparative figures which I gave yesterday as between the Old Age Assistance and the Old Age Insurance programs. I think the members have in their minds the relative figures. At least they are on the record and they can be referred to. But I would simply point out that as the insurance program has matured since 1940 their old age insurance benefits have become payable in increasing amounts and that now they are of the magnitude of \$442.5 million annually paid out to aged retired workers, or to their wives or widows or parents, over 65, in the last fiscal year, according to the information which is available.

In addition to that as pointed out on page 3 in the foot-note:

...about \$132 million was paid to dependent children or retired workers and certain younger survivors, and approximately \$32 million in the form of lump sum death benefits.

I would next like to concentrate my remarks on some of the material which follows on from page 3 and to point out that the following types of persons are eligible for benefits: First of all the retired working man himself, if he reaches the age of 65 and has fully or permanently insured status, is entitled to draw a benefit for himself for the rest of his life, a primary benefit. And if he has a wife who is also over 65 years of age, he is entitled to draw a benefit for her as well as for himself. But the benefit of the wife amounts to only 50 per cent of the husband's benefit.

If the wife, by any chance, is younger than he is and has not yet reached the age of 65, she is not eligible for a benefit on her husband's account. She will have to wait until she becomes 65 years of age before he can draw the extra 50 per cent benefit on her account.

If after the husband goes on benefit he dies, then his wife, if she is 65 years of age continues to draw the widow's benefit at a rate equal to ¾ of her husband's primary benefit; but if she is under 65 years of age she draws that widow's benefit only if she has a dependent child which child is the child of the insured working man and which child would, in its own right, be eligible to draw the child's benefit equal to one-half the primary benefit. So you see it is not a complete widow's insurance program.

A widow under 65 years of age without any children does not receive a widow's benefit when her husband, who is over 65, dies. She must wait until she is 65 before she can qualify.

Or take another example. Suppose you have an aged working man retired at the age of 65, and he has a younger wife with a dependent child. Suppose that husband dies. Then the younger widow is eligible to receive a benefit only by virtue of the fact that she has a dependent child, a child who is also receiving a benefit.

In other words, if she is under 65 years of age, she has no absolute right to a benefit in her own name until she reaches 65. Her right to immediate benefit is contingent upon having the care of a child who is a dependent of the working man. Therefore, as long as that child is entitled to a benefit as a dependent of the deceased retired working man, then the young widow is also entitled to a benefit in addition to the child's benefit.

By Mr. Knowles:

Q. On what rate?—A. May I deal with that later, Mr. Knowles? But as soon as the child ceases to be eligible for a child's benefit—

By Hon. Mr. King:

Q. At what age would that happen?—A. 18; then the widow automatically drops off the benefit completely unless in the meantime she has reached the age of 65.

By Mr. Ferrie:

Q. But is there no other benefit for her under any other scheme?—A. I think you must always keep this in mind: that you have as a background behind all this the basic old age assistance program which is on a means test basis.

Q. But that does not come into effect until the age of 65?—A. That is right.

Q. But is there nothing to take care of the widow?—A. There would be general relief, local relief which in some cases is partly financed by the state.

By Hon. Mr. Fogo:

Q. The situation of the widow might be different if she was an insured worker in her own right?—A. That is correct. If she has credits already in her own right, then she is entitled at the age of 65 to draw benefits, not as a widow but as an insured person.

By Mr. Knowles:

Q. But that would not help her out before the age of 65?—A. No.

By Mr. Corry:

Q. I am not quite clear on this. Take the case of the widow of a retired working man who had not reached the age of 65. Is she eligible to pick it up when she becomes 65?—A. Yes. But she is not at the moment of his death, however, eligible for the widow's benefits unless she has a child who is eligible for the child's benefit.

Q. But when that widow becomes 65 she goes on benefit?—A. Yes, automatically.

By Mr. Ferrie:

Q. Can a husband automatically insure his wife unless he is a working man? If he is not working, can he insure her?—A. It is automatic if he is insured. If the working man is under the insurance program, and if he is married, then his wife is insured as a dependent of her husband; but she is not insured as an insured worker in her own right, unless she is actually working in insured employment herself.

By Hon. Mr. Farquhar:

Q. And she would be drawing the same rate as her husband?—A. No. If she is eligible as a dependent wife she is eligible for one-half of the husband's benefit; and as a widow, for three-quarters of her husband's benefit. And if

there is a child, whenever the child is eligible, it is eligible for one-half of the husband's benefit, that is called the primary benefit.

By Mr. Knowles:

Q. Take the case of a widow who is under 65 years of age. Her husband who was on pension has died. On the first child she would draw then one-half for the child and three-quarters for herself?—A. That is right.

Q. And when the child reaches the age of 18, if the widow is still under 65, then both benefits stop?—A. That is right.

Q. And she would get nothing until she reached the age of 65 herself?—A. That is right.

By Mr. Ferrie:

Q. But could he provide in this insurance for his wife to carry on in some way?—A. No. The only degree of benefit that he can provide for his wife under the insurance program is the degree of benefit to which Mr. Knowles made reference, in so far as a wife and widow under 65 years of age are concerned. And the only degree of benefit he could provide for his wife or widow after reaching the age of 65 is the wife's benefit, which is one-half of his benefit as long as he is alive, or the widow's benefit which is three-quarters of his benefit after his death.

Q. But nothing before then?—A. That is right. The whole question of eligibility for benefits in the case of a married woman before the age of 65 is dependent on the existence of an eligible child, unless she is a wage earner. But after the age of 65 the widow is entitled to a benefit, regardless of whether or not she has a younger child.

By Mr. Brooks:

Q. Is there just provision for one child?—A. No. There is provision for more than one child. But there is a provision which we will be coming to that the combined benefit under the circumstances cannot be more than twice the primary benefit of the husband.

By Mr. Knowles:

Q. In other words, if a widow has three children, she would draw— —A. Twice the primary benefit of the husband. Those details are set forth in a much clearer form than I am able to give them on page 3. Perhaps the difficulty I have had in explaining it reflects in itself some of the complexities of the scheme we are endeavouring to study.

But before I go on I should deal with another point which I think is very important for the members of the committee to get clear in their minds. The mere fact that you happen at a given moment in time to be contributing to the insurance program does not automatically mean that all these benefits will flow from that fact either upon your death or upon reaching 65.

If you look at page 15 for a moment you will see a description of what is called "insured status". And we see that insured status is broken down into four categories.

A person acquires rights under the insurance program by building up what are called quarters of coverage. That means that a person has to have earned within a three month period in employment covered under the Old Age Insurance law at least \$50 in the total three months period. Therefore, if I work from January to March in a given year in an insured employment and I earn \$50 in that period, I pay now $1\frac{1}{2}$ per cent—formerly 1 per cent—on that \$50, and I have established one-quarter of coverage under the program.

Eventually the goal each working man has to reach is forty quarters of coverage; and once he gets to the goal of forty quarters of coverage, he is permanently insured and nothing can put him out. And certain benefits flow from that, although those benefits may of course be altered in amount by lapse of time and the ratio between the numbers of calendar quarters which have elapsed since Jan. 1, 1937 and the actual quarters of coverage. But you have certain benefits if you achieve the forty quarters of coverage. That is what I refer to as having a permanently insured status.

The second category is what is called the "fully insured status"; and this fully insured status applies primarily to this interim or conditional period, and also to the position of a younger working man coming on for the first time, who has just reached the age of 21. To be fully insured you have to have one-half the total quarters of coverage since the beginning of the Act, January 1, 1937, to January 1, 1950. That is a period of 13 years; and there would be fifty-two quarters of coverage in that period. The working man who has been in insured employment for twenty-six or more of those quarters is fully insured, although he is not permanently insured since he has not yet achieved 40 quarters of insured employment. But a working man who has less than twenty-six is not fully insured.

Q. Except he be a young man?—A. Yes. Take the case of a young man who became 21 in 1946. He could have had a maximum, let us say, of only 16 quarters if he had been steadily insured since then: he is fully insured if he has eight of those quarters in covered insurance employment. The range at the moment so far as eligibility for fully insured status is concerned is actually between 6 as a minimum and 26 quarters of coverage.

Now, if you are in the permanently insured status or in the fully insured status you are entitled under the age conditions we have just referred to in regard to widows, and the primary beneficiary himself—you are eligible for all the benefits which flow from the old age insurance law. If you are under fully insured status and you die, that means that your widow, when she reaches the age of 65, will be eligible for the widow's benefit; it means that if she has a child dependent on her, then immediately upon your death she and the child are eligible for the current widow's benefit and for the child's benefit.

All the eligibilities flow from the fully insured status as well as from the permanently insured status.

By Hon. Mr. Fogo:

Q. But there is no coverage below 21?—A. Contributions begin as soon as the individual enters insured employment, regardless of age. But the quarters of coverage calculation is made in respect to the quarters of coverage since that person reached 21.

By Mr. Knowles:

Q. If a working man has permanently insured status now, he cannot lose it?—A. That is right.

Q. Even if he is unemployed from now on?—A. That is right.

Q. But a person might have fully insured status today and yet become unemployed, when he would lose that status?—A. That is right. A person may have 26 quarters of coverage right now, but if he becomes unemployed in the first quarter of this year, then he is out because then he will have only 26 quarters of coverage out of 53 possible since January 1, 1937. That is less than half. In other words he has a somewhat tenuous hold on full rights to benefit under this program.

By the Chairman:

Q. But that is only transitional, is it not?—A. It is transitional for some but it applies also to people who have a period or periods of broken employment.

By Mr. Knowles:

Q. A person might today have 26 quarters and be fully insured at this moment? Yet if he became unemployed you say that he would be out?—A. That is right.

Q. Whereas somebody in the next category with less than 26 quarters would be in?—A. The third category is called "currently insured status". This is the group which Mr. Knowles has just mentioned. This person may have had from 1937 on long periods of unemployment. He may have been a farmer or he may have been in one of the excluded occupations, and he may have only come into the wage earning field within the past four or five years; so obviously he won't have one-half of the total quarters since 1937 in insured employment. But if he has been working fairly steadily within the last three or four years and can show that he has six or more quarters of coverage within the last 13 quarters, he falls into this currently insured status which gives him not a complete range of benefits, but does give him survivors' benefits. He is not himself as a retired workman entitled to benefits, but if he should die, then his widow, provided she has a dependent child is eligible for these survivor benefits.

Finally you have the person who is paying into the insurance fund but who does not qualify under any of these three preceding categories and therefore has failed to acquire any kind of insured status. I would draw attention to the table which is shown on page 16. That table shows the total group with some time in covered employment, to number 78 million as of January 1, 1949. The permanently insured, that is, those people who will always have some insurance protection number only 13 million to date; and the fully insured which represents the group who have 50 per cent or more of their quarters of coverage up to the present time but who could go off any time, represents 25 million.

The currently insured, that is, those who have six or more quarters of coverage within the last 13 quarters but who do not fall under the other two groups number 5 million; and the number of working men in this table who have insufficient quarters of coverage to qualify them for any benefits whatsoever total 35 million. In that group would be cases such as farmers who, under seasonal employment, work a quarter of coverage and then return to the non insured occupations for the remainder of the year.

By Mr. MacInnis:

Q. How long a period would this cover, would it be a ten or twelve year period?—A. This is the present total of living persons who have acquired quarters of coverage since 1937.

Q. But since 1937 there has been high employment mostly?—A. Yes.

Q. But in a period of low employment, the number without insurance coverage would very likely be much more, or much greater?—A. A period of low employment would affect substantially the two middle groups, the fully and currently insured.

By Mr. Laing:

Q. Was the data for this table drawn from the rolls, and is it added to each year?—A. This is the complete record of persons in the files who are alive today and who have some contribution to their credit. This figure of 78 million for January 1, 1949, corresponds to the figure of 80.7 million which I used earlier this afternoon and which is of January 1, 1950. They are 80 million living persons who have certain wage credits shown in the live register of the Federal Old Age Insurance Fund.

By Mr. Knowles:

Q. This group which is called fully insured strikes me—despite the sound of the word—as being the group which has the most tenuous hold on any kind of security. Their hope is to get into the permanent group?—A. That is the goal of them all.

Q. No matter how many quarters they have under 40, they have no guarantee that there are any benefits for them at all?—A. The only group permanently in is the first group of 13 million. The fully insured are the next most secure.

Q. They are on the way?—A. They are in a better position than the currently insured, because they are entitled to the full range of benefits provided at the time they reach 65 or die they have managed to maintain a record of 50 per cent of all the quarters since 1937 in covered employment. Take a man who may have been 60 years of age at the time Old Age Insurance came into operation in 1937; by the time he reached 65 in 1942 the lapse of time had not permitted him to build up 40 quarters of coverage in order to make him permanently insured. But if he had built up only 50 per cent of the total quarters of coverage between 1937 and his retirement in 1942 he could retire with a benefit at the age of 65, and his widow could get the benefit, just as if he had been permanently insured.

But the currently insured person in that position, let us say, a farmer coming in for his first employment from a non-covered occupation, he may be 62 years of age, and he works six quarters out of the 13. Then at the age of 65 he is not entitled, as long as he is alive, to any retirement benefit for himself at all, nor is his wife entitled at 65 years of age.

By Mr. Laing:

Q. But reductions are made for him as well?—A. Oh, yes. For that three year period. If he dies, and his record shows that he has worked 6 of the last 13 quarters in insured employment, his wife is entitled to survivors benefits.

By Mr. MacInnis:

Q. Do the contributions automatically stop at the age of 65?—A. The contributions go on if the individual remains in insured employment. But the quarters of coverage are only counted if the result is to increase the individual's average wage and therefore benefit. In other words, if you had an individual who, after the age of 65, was working part time, or, due to poor health, had to take a job at a lower level, he would go on working, and those quarters of coverage would not count against him.

Q. But what would be the case if that man were a single man?—A. The same thing applies.

Q. No. The three year man?—A. The currently insured status has, of course, very limited value in terms of a single man because he has no wife and no children. It is only in the event of his having a dependent parent that there might be eligibility for a survivor's benefit on the part of the dependent parent. His estate might get a lump sum death benefit if there were no eligible beneficiaries.

By Hon. Mrs. Fallis:

Q. I am not clear about the 80,000,000 figure. Does that include all the workers who are on industrial pensions?—A. No. Senator Fallis. That figure includes all people who, since 1937, have contributed anything to the old age insurance fund.

Q. To the government scheme?—A. No.

Q. It has nothing to do with industrial pensions?—A. It has nothing to do with industrial pensions at all. The only people who have been taken out of what I call this live register are people who have died in the intervening years. The number of people who have made contributions in the intervening years is much larger than the 80,000,000 figure, but these are living contributors, regardless of whether they made a contribution in 1937 only and none since.

Q. This does not preclude some people from having industrial pensions?—A. Not at all.

Q. That will be something separate though?—A. Yes.

MR. SHAW: Is there any significant reason for using the calendar year quarter? I can visualize difficult situations there.

The WITNESS: It has to be a continuous three months' period. If it is one month's employment and two months' unemployment, then that quarter counts as long as the person earned \$50 in the first month. That is a fairly generous formula.

By Mr. Brooks:

Q. I do not quite understand the point at page 16 where it says: "A worker is currently insured when he obtained six or more quarters of coverage out of the thirteen immediately preceding his death, including the quarter in which he died. Then, in the table it shows the approximate number of living persons who have worked under covered employment"—I just do not see how they would know how many were currently insured until they had died?—A. The assumption on which that figure was based is that in the quarter in which the calculation of the numbers currently insured is made it is assumed these 5,000,000 workers all died right then.

Q. Statistically there would never be that many people died?—A. Oh, no. But it simply is an assumption that you make for the purpose of this classification. In other words, I am a workman very much alive at the present time—I hope—

Q. I would say so.—A. And if my insurance card shows I have worked in the last three and a quarter years, and that I have made contributions in respect to six of those quarters of coverage, then I am a currently insured person.

MR. KNOWLES: You have not got fully insured status but you have got currently insured status.

MR. MACINNIS: I wonder whether in the report you have any statistics as to administrative costs?

The WITNESS: Yes, those are shown, Mr. MacInnis, in the table on page 38. I will not read those figures into the record now because we will likely come to them later, but you will note that in 1949 the figure was \$53,000,000.

By Mr. Knowles:

Q. May I ask one other question about a man with fully insured status. If such a worker was, shall I say lucky enough to make his claim while he is fully insured, either by reaching the age of sixty-five or by dying—and that would rather qualify my use of the word "lucky" but the doctor knows what I mean—does he qualify for all the benefits that a permanently insured person would qualify for?—A. Yes.

Q. The only difference would be in the amount?—A. That is right.

Your question is really this, is it not: if a person reaches sixty-five years of age and at that moment he is fully insured but not permanently insured, is there really any difference in the end result?

Q. That is right.—A. The answer is no.

Q. Similarly, if a person at the age of fifty-five is fully insured but not permanently insured, and if he dies, leaving a wife with children, is there any difference in his case than in the case of a man who was permanently insured?—A. Not as far as survivors' benefits are concerned—which are the only benefits applicable.

I have dealt then with the various types of benefits and the quarters of coverage; and I have dealt with the various questions of status—currently insured and other; and I might just say one word about the question of the lump sum death benefit which has always intrigued me.

Q. You said that was the end of it?—A. Perhaps that is why it intrigued me—

The provision is that if a person who is in currently insured, fully insured, or permanently insured status, dies and there are no other beneficiaries who are immediately entitled to go on a continuing benefit, then a lump sum may be paid for funeral and illness expenses equal to six times the primary benefit. That means, first of all, that in certain circumstances where there is no continuing payment made immediately, a funeral payment is made. If there is a situation where there is a continuing benefit paid immediately the funeral benefit is not paid. So, it is not automatically universal coverage of funeral expenses.

That works out in some rather odd ways. You might, for example, have a man who is over sixty-five and drawing his benefit—having a wife who is let us say sixty-four years and eleven months old at the moment of his death. Now, instead of getting one month's benefit while she is under sixty-five and then going on widow's benefits, because the man died at a convenient time, she gets a lump sum death benefit equal to six times what she would have got in the other situation; and then, a month later, she goes on continuing widow's benefits. So, there are some rather odd ways in which this works out—as one would expect in a complicated structure of this kind.

Q. If he had lived two months longer he would have drawn his benefits for two more months and then his widow, having gone on continuing benefits, would not have got this extra benefit?—A. That is right.

There is another example I would like to give you of an extreme—and these are extreme situations.

It is theoretically possible for an individual to draw full benefits under the insurance program on basis of as little as a \$3 contribution. He could theoretically be under full insurance after only six quarters of covered employment in each one of which he did not earn more than \$50. Therefore, his total insurance payment would have been \$3 and, if he died at the right time, and if he had the right assortment of beneficiaries, they would go on continuing benefits.

The opposite extreme is the case of a man who might over a period of years acquire thirty nine quarters of coverage so staggered that he is not eligible for either fully insured or currently insured status. He might have been earning at the maximum rate of \$250 a month and his contribution could have amounted to as much as \$292.50 without being eligible for any benefits under the program at all.

I cite these cases not really to illustrate the program itself but to illustrate some of the extreme situations which can develop under a program of this kind.

I would like to turn now to page 5 where you will find the basis upon which benefits are calculated. The primary insurance benefit, and that is the one which governs all other benefits, is based upon "the average monthly wage" earned by the worker since the commencement of the program on January 1, 1937. The next sentence here is very important: "The average monthly wage is computed by dividing the total wages earned in covered employment and subject to the social security contribution, by the total number of months elapsing after 1936, up to the calendar quarter in which the worker attained the age of sixty-five or died."

That means that you take the record of the total earnings in covered employment of the individual in the period from 1937 up to the present time. These earnings are the earnings as reflected on the old age insurance card in the index. They are the earnings on which the 1 per cent has been contributed over the period. Excluded from those earnings are any earnings that he may have had over \$250 a month in that period because they are not considered as earnings subject to the old age insurance contribution.

Hon. Mr. Fogo: You count only earnings upon which he has made contribution?

The WITNESS: Yes, and you take those earnings into account not in relation to the months when he earns them, not in relation to the quarters of coverage, but in relation to the total period since January 1937—regardless of whether he was in or out of insurance.

Mr. KNOWLES: Even if he was unemployed?

The WITNESS: Yes. That means in effect that a person with broken periods of employment has an average monthly wage which is much lower than the wage rate at which he might have paid.

By Hon. Mr. Fogo:

Q. You do not divide by the number of months he worked but rather by the number of months in the period since 1937?—A. That is right. Therefore you might have a person who earned good wages for a five-year period—the full \$3,000—and before that perhaps had broken periods of employment or no employment. Taking the entire period since 1936 and not simply the period in which he was under insurance coverage, you can see the depressing effect it would have on the basic calculation of the average monthly wage. Periods of unemployment would tend to reduce the figure: periods of employment in excluded occupations, no matter what the salary, would also tend to reduce the average monthly wage. Periods in the depression years when the wage level was lower would tend to reduce the average monthly wage in relation to the current actual monthly rate that he might be earning.

Q. Would not that give a decided advantage to the man who was in permanent employment?—A. Yes, but it would be even more likely, I suggest Senator Fogo, to give an advantage to the man, recently turned 21, who has come into employment recently when wages were higher and who has achieved fully insured status but not permanently insured status. It is important to get that basis for the calculation—the average monthly wage—before you turn to the formula for calculating the benefits.

Mr. KNOWLES: A period of unemployment could have two effects. It could deny a lot of these people the right to fully insured status and to those who have permanently insured status it could depress the basis upon which the benefit could be computed?

The WITNESS: That is right, Mr. Knowles. It is equally true that the same result would occur in the case of an individual who spent his time not unemployed but fully employed in an uncovered occupation. That might be, for instance, under the railroad retirement program, it might be government service, or it might be self-employment. Any period of employment that is excluded from the Act itself is ignored as far as calculation of the average wage is concerned, except in so far as it broadens the period over which the average is calculated. The lack of any real integration between for example the railroad retirement program and the government superannuation programs on the one hand, and the old age insurance program on the other, affects very drastically the status of anyone who might move from that kind of employment covered by other plans to covered employment which is meant when we are talking about the old age insurance program.

Mr. SHAW: Where would benefits from sickness and accident insurance policies fit into that picture? Or would they fit in at all?

The WITNESS: No.

Mr. FERRIE: Where would the individual come in who had been making contributions and then suddenly decided to go on his own? Could he draw any of that money out?

The WITNESS: No, sir. If he has obtained permanently insured status at the time he leaves, he ceased to contribute but does not cease to be permanently insured. When he reaches sixty-five when he can come back and say I want my old age insurance benefits—but the amount has been in the meantime reduced by the fact that he has been outside the insurance program for a substantial number of years.

By Mr. Knowles:

Q. If a man had thirty-nine quarters and then went on his own, he would retain fully insured status for another thirty-nine quarters?—A. It depends on the relationship—

Q. If the first thirty-nine had been continuous?—A. Yes—

Q. In other words he could retain his right to draw benefits for up to about ten years afterwards when he would be out completely?—A. I would just like to modify the “yes” and say that it depends not on the thirty-nine quarters he has established but rather on the relationship between the number of quarters under coverage—namely thirty-nine—and the total period since 1937, and I think it would be substantially less than the ten years you mentioned.

With 39 quarters of coverage he would continue to be fully insured until July 1, 1956—for that is 78 quarters after January 1, 1937, the commencement of the program.

By Mr. Ferrie:

Q. When you come to that, if his benefits are better in the other set-up—under the old age assistance program, than in the insurance set-up, has he the right to go back to the old age set-up?—A. If it turns out that the actual dollar value of the benefit that the worker draws under the insurance scheme is not enough for him to live on, then he can go to the state old age assistance authority and apply for a supplemental means test pension. In that event, not only his insurance benefits but his other resources, such as savings and personal or real property, are taken into account before it is determined that he is eligible for any supplemental benefit. So, he is not excluded from applying but the question of whether he get additional assistance depends on the state means test, his income from all sources, and the amount of his assets from all sources.

Q. What I was trying to get at is if he takes one he is not excluded from the other?—A. No, and in fact there are about two hundred thousand individuals as of a recent date out of the nineteen hundred thousand.

By Mr. Knowles:

Q. Out of how many did you say?—A. Out of the nineteen hundred thousand persons 65 years of age and over with insurance benefits who have to have their inadequate insurance pensions supplemented by a means test pension. About 10 per cent, in other words, of the insured group drawing their benefits as a matter of right find them inadequate and apply to the state authorities and receive supplementary means test additional assistance.

Q. It was pointed out to us in the case of New Zealand that if a person on superannuation benefit applies for the means test pension and gets it, he then comes off the first roll and goes on to the second. What would happen in the

United States?—A. He is kept on both rolls. You will remember that there was a duplication of two hundred thousand in the two figures which I gave yesterday showing the case loads of the two systems.

By Hon. Mr. Fogo:

Q. If a man is on Workman's Compensation, would he lose that as covered employment?—A. I do not recall it, but I am fairly certain that the period spent on compensation would not be regarded as covered employment.

Might I come to the calculation of benefit now, having explained as best I can the average monthly wage on which the benefit is calculated?

In calculating the primary benefit of the working man you take 40 per cent of the first \$50 of the average monthly wage and you add to it 10 per cent of the remainder of the average monthly wage, not exceeding \$250 which is the limit on which he pays contribution; and you add to the amount arrived at, 1 per cent of the amount for each calendar year since 1936 in which the insured person earned \$200 or more in covered employment. I cannot say it much better than that.

Mr. CROLL: You had better, if you want us to understand it.

By Mr. Shaw:

Q. That is 1 per cent of the former calculation?—A. That is right.

By Mr. Knowles:

Q. Does Einstein draw this pension?

Mr. CROLL: He does if he can figure it out.

The WITNESS: I shall assume for the moment we have made a calculation of the average monthly wage on the basis described here. Let us suppose that that average monthly wage is shown to be \$225. You take 40 per cent of the first \$50. That means that you take \$20. Then you take 10 per cent of the next \$175; and that is \$17.50. And let us suppose the individual has been in insured employment since the outset, January 1, 1937, that is for 13 years. Therefore you add 13 per cent of \$37.50 and your benefit will come to around \$42 to \$43, your primary benefit.

And you could add to that, if the man has a wife over 65 years of age, one-half of the amount you have arrived at, for his wife; and if the man has a child in addition to his wife, you may add another half of the primary benefit for the child.

But if there is a second child, you add nothing, because you then run up against the limitation in the law that the total benefit cannot be more than twice the primary benefit of the man himself. The exact amount of primary benefit is \$42.37 according to my colleague, Mr. Allen.

By Mr. Brown:

Q. How is it figured? Is it 13 times 12? That would give you the number of months?

The WITNESS: You take 13 per cent of the \$37.50, or \$4.87, and that brings you to a total of \$42.37.

By Hon. Mr. Fogo:

Q. 1 per cent of what?—A. 1 per cent of the calculation you arrived at in the first two stages of the calculation.

Q. I see.—A. And if the result of that three-stage calculation is less than \$10, the minimum monthly primary benefit is set at \$10. The maximum in any

case is set on the following basis: It is either \$85 or 80 per cent of the average monthly wage, or twice the amount of the working man's primary benefit whichever is the least.

Those are the three alternatives you must apply in each case in order to determine whether or not an individual in a normal situation has acquired a higher benefit than he is entitled to under the law.

By Mr. Ferrie:

Q. I can now see why they have said that a Philadelphia lawyer figured this one out.—A. I would like to draw attention to the examples given on page 19, but they do not mean very much unless you go through the actual process of trying to see how the calculation itself was made.

By Mr. Brown:

Q. Do they allow lawyers to practice before this Board?—A. I think there is a premium on mathematicians down there.

By Mr. Knowles:

Q. No doubt this is a simplified form like our income tax forms in Canada?—A. I would point out the table at page 19. That table is in terms of primary benefits and you add to it the appropriate amount of supplementary benefits for the wife over 65 years of age and for the dependent child under 18 years of age and so on.

Q. I realize this was just an arbitrary case which was taken to show how it worked out; but the figure is considerably higher, is it not, than the average being drawn at the present time?—A. That is correct; the average primary benefit as of December 1949 was \$26.

By Mr. Croll:

Q. The primary benefit, that is right, but the average family benefit is \$39?—A. No. The average man and wife benefit is \$39, where both are over 65 years of age.

Q. Yes.—A. But you may have a man over 65 years of age with a wife who is under 65 years of age and he would get \$26 on the average until his wife reached the age of 65.

By Mr. Knowles:

Q. That \$39 is just an average for those who are actually drawing both the primary benefit and the wife's benefit?—A. That is right and I think I am correct in recalling that so far as the average benefit right across the board is concerned, it is somewhat less than \$26, and somewhere in the neighbourhood of \$20 to \$21.

Q. And that would take into consideration the widow's benefit and the child's benefit which are less than the primary benefit?—A. That is right. It takes into consideration everything except the lump sum death benefit which cannot be taken into the average at all.

By Mr. Shaw:

Q. When one considers all the complications and the amounts paid he is faced with the logical question: Is it all worth it?—A. I would also point out one other feature of this program which I think is related to the question raised by Mr. Knowles in connection with a similar feature in our Unemployment Insurance legislation.

It is referred to at the bottom of page 5. A retired working man drawing a benefit has certain limitations placed upon his right to re-enter covered employment. If he earns more than \$15 in any one month in covered employment, he goes off benefit for that month, and the disqualification for that month applies not only to his primary benefit but to any other benefit; it may be applied as of that month to his wife over 65 years of age or to a dependent child. But that restriction does not apply to uncovered employment. So a working man under a benefit can go into employment which is excluded from the insurance program and earn as much as he likes in a month without affecting his benefit at all.

By Mr. MacInnis:

Q. Not earn as much as he likes, but earn as much as he can.—A. I stand corrected. Perhaps I should complete this section before we conclude for the day. I would point out the significance of the statement on page 6 that this Old Age Insurance fund from which benefits of the kind we have been discussing are paid is made up exclusively of contributions from the insured working men themselves and from their employers, and that no direct government contribution is made.

I would like to make two supplementary comments on that. It may be recalled that the minister in his speech on March 10 in the House made a statement that the administration costs of the fund were paid by the federal government out of its general revenues. He made that statement on the basis of information which I supplied to him and I want now to apologize for the fact that I supplied him with incorrect information.

All the administration expenses of the fund as well as the benefits are paid from the fund, which is made up exclusively of the workers' and the employers' contributions.

The United States government it is true pays interest on the fund because the fund is used by the United States government on a loan basis; contributions in terms of interest on the basis that loan are paid into the fund. But nothing more.

By Mr. Ashbourne:

Q. May I ask what the rate of interest is?—A. That is shown later on in the document before you on page 36. Special certificates of indebtedness run around $2\frac{1}{2}$ per cent to $2\frac{3}{4}$ per cent; and that is a rate which is based on the average rate of interest on government bonds.

By Mr. Ferrie:

Q. Do they buy government bonds with the fund, or do they use the funds in the general treasury?—A. Well, the treasury borrows from the fund. It puts treasury notes or bonds in the fund and it uses the actual moneys for its general purposes to the extent that it finds it necessary to do so. And while there is no direct governmental contribution and there has not been any from the inception of the fund to the present day, there is an appropriate clause in the Act as it was amended in the 1940's which takes account, Senator Fogo, of the fact that the fund was shifted from a full actuarial reserve to a partial actuarial reserve basis. At the time that was done the question arose as to who would be responsible for any deficit, if ultimately, many years from now, the fund should go into the red as a result of this shift. At that time a clause was put into the Act by which the government undertook to make an appropriation when and if it should ever be necessary to finance required payments and benefits under the Old Age Insurance Fund. So that means there is at the present time a statutory commitment in the Act with respect to any ultimate deficit which may result from the change in the basis of the actuarial reserve calculation.

But I would point out that under HR 6,000, the new bill drafted by the House of Representatives, which bill is now under consideration by the Senate, that particular clause is removed from the bill.

By Hon. Mr. Fogo:

Q. On the other hand I suppose it is unthinkable that any government, having such a scheme, if that fund got into a precarious position, could refuse to underwrite it. I may be looking far ahead, but the nature of legislation such as this, funded by contributions by employers and employees under governmental sponsorship, is such that I could not envisage any government allowing payments to be dropped or reduced very substantially while that government would not possibly underwrite it.—A. Actuarial calculations are followed I think sufficiently closely to make it possible for Congress, if it foresees a deficit, to increase the contributions and deal with the situation in that way if it so decides rather than make up the deficit from general revenues.

By the Chairman:

Q. Is there presently an actuarial deficit?—A. Yes. The present actuarial deficit is \$7 billion, while the actual reserves amount to \$11½ billion. With an effort of this magnitude, I would point out that figures like that are relatively small in terms of ultimate actuarial projections of this fund into the long term future. They are trying to forecast fifty years ahead. I think the statement of Mr. Linton of the Provident Mutual Life Insurance Company to which I referred the other day draws attention to the fact that there are two actuarial calculations on which this new program contained in H.R. 6,000 is being worked out. One is on an optimistic basis. The other is on a pessimistic basis. The ultimate outcome is of course uncertain, depending on which of these is right. Under the optimistic estimate the fund may have \$175 billions in its reserves in the year 2000; but under the pessimistic estimate, if it is correct, the fund will be in the red by the year 1992. Within that range you can place whatever reliance you like on the actuarial estimates.

By Mr. Shaw:

Q. But as of today, the fiscal year ending June 30, 1949, do they retain sufficient cash to meet current disbursements? Is that their operating policy year by year? Or do they invest their cash receipts normally in government bonds?—A. There is simply enough cash to pay the benefits for two or three months at a time.

Q. I think there is a very important principle involved here. Do they retain sufficient cash to meet all current liabilities? If they do that, that is one thing but if they invest all their cash in government securities and if the government uses the money for current activities, and then redeems the certificates or bonds, that is another thing.—A. It is likely, Mr. Shaw, that they keep on hand enough cash to meet their total current liabilities.

Q. Current?—A. All they do is to keep on hand enough money to meet actual payments for a very short period of time, let us say, two or three months.

Q. You say that you think they keep sufficient cash on hand to meet their liabilities for two or three months. But are they in a position at the end of those two or three months that they have sufficient cash on hand to meet the liabilities out of money which is coming in?—A. I think the reserve fund is being built up all the time and they are getting much more each month in the way of contributions than they require for the purpose of paying out benefits.

That is shown by the table at the back of this document which shows that the contributions in the year ended June 30, 1949 amounted to \$1,694,000,000, and that the benefit payments amounted to \$607,000,000.

Q. I was not questioning that. What I was anxious to know was: do they retain out of the premiums—if we may call them that—which are paid sufficient cash in their fund to meet their liabilities, or are they buying government bonds constantly, and as those bonds are retired by the government, meeting their obligations?—A. I am afraid we are not getting together on that.

Mr. KNOWLES: Perhaps we had better get that Philadelphia lawyer back again.

The WITNESS:—As long as there is an excess of money coming in, in the way of contributions what is happening is that instead of converting every dollar that comes in into government bonds, and then having to reconvert those bonds into cash for the purpose of paying that month's payroll—as the money comes in the administration estimates how much money will be needed for that particular month and the next month or two. It keeps that money on hand as a readily available cash reserve, and it puts the rest of it into governments bonds—either a short or longer term investment.

Mr. SHAW: Perhaps I could take that up with you privately, Dr. Davidson I would like to get it clearer because I think there is a vital principle involved.

The CHAIRMAN: We shall go on with the question of coverage tomorrow. I would now ask the members to stay for a short meeting in camera.

The committee adjourned.

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Canada Old Age Security, 1950
Senate and H. of C. May 1950
SESSION 1950



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**JOINT COMMITTEE OF THE SENATE
AND THE HOUSE OF COMMONS**

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

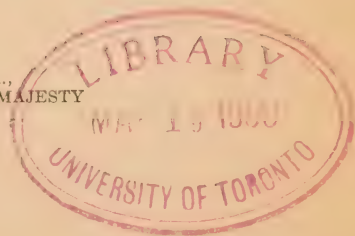
No. 10

THURSDAY, MAY 4, 1950

WITNESS

Dr. G. F. Davidson, Deputy Minister of Welfare, Department of National Health and Welfare.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950



MINUTES OF PROCEEDINGS

THURSDAY, May 4, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 11.00 a.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Also present:

The Senate: Honourable Senators Burke, Doone, Fallis, Farquhar, Ferland, Fogo, Hurtubise.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brooks, Brown (*Essex West*), Cannon, Corry, Croll, Ferrie, Fleming, Knowles, Laing, MacInnis, Macnaughton, Picard, Pinard, Robertson, Shaw, Smith (*Queens-Shelburne*), Weaver.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare.

Dr. Davidson was recalled and further examined on the United States Old Age Income Security Program. He was assisted by Messrs. John Sparks and C. D. Allen, Research Assistants, and J. W. MacFarlane, Director of Old Age Pensions, Department of National Health and Welfare.

In the course of proceedings, Hon. Senator King presided for a while in the absence of Mr. Lesage.

At 1.00 p.m. the Committee adjourned until Friday, May 5, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, May 4, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 11.00 a.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. J. Lesage presided.

The CHAIRMAN: Ladies and gentlemen, we have a quorum.

Dr. G. F. Davidson, Deputy Minister of Welfare, recalled:

The WITNESS: Before going to the section beginning at page 8 and dealing with coverage, I think it would perhaps be wise to pause for just a moment on the quotation which is set forth on pages 6 and 7 of the document. That quotation reflects, despite the difficulties and problems that I highlighted in the last session, the conviction of the House of Representatives Ways and Means Committee that the social insurance approach to the problem of old age security is the sound approach, and the one which is in accordance with the American tradition.

Because it does re-affirm the conviction of the House of Representatives committee and states at least the theoretical justification for contributory old age insurance, I think it might be well to take a look at the words.

...A contributory system of social insurance in which workers share directly in meeting the cost of the protection afforded is the most satisfactory way of preventing dependency. A contributory system, in which both contributions and benefits are directly related to the individual's own productive efforts, prevents insecurity while preserving self-reliance and initiative.

May I pause there to point out the distinction between the two sentences. The first sentence could apply either to a system of contributory old age insurance in the American sense or it could apply to a contributory system of old age security financed on some other basis. It is in the second sentence that the meat of the American program is to be found. It re-affirms the principle that if the contributory system is adopted contributions and benefits should be directly related to each other and to the individual's own productive efforts. That poses this principle of the direct relationship between the individual's contribution and the amount of the individual benefit that is received at retirement.

I shall go on to the rest of it:

Under social insurance, benefits are computed individually in each case, on the basis of earnings, in covered employment. Because benefits are related to average earnings, and hence reflect the standard of living which an individual has achieved, ambition and effort are rewarded; since they are also related to length of service in covered work, individual productivity is encouraged and the Nation's total production is increased.

Because benefits under the insurance system are paid as a matter of right following cessation of substantial covered employment, the worker's dignity and independence are preserved.

I think you will see, Mr. Chairman and members of the committee, that statement, as of the year 1949, re-affirms the faith of the House ways and means committee in the essential soundness of the contributory social insurance approach

to the problem of old age security. I think it is interesting to point out as an observation, that this emphasis on the insurance approach is in effect making a distinction between social insurance and social security. I think it is clear that the benefits paid out as a matter of right in these transitional years under insurance are inadequate to meet living needs in the case of a large number of beneficiaries. That fact underscores the difference between social insurance as such and what has come more recently to be known as old age security. The difference is that in the old age insurance approach you relate the benefits of the individual case directly to the individual's past record of contribution and if the result of that in the way of a benefit turns out to be an inadequate amount it is still old age insurance although it may not be old age security. Under the old age security approach, as distinct from insurance, the benefit is something which meets a minimum degree at least, of social adequacy. Some countries have thought it desirable to abandon certain more rigid and more orthodox insurance principles in order to get a greater degree of social security in the earlier stages in the development of the program.

Mr. KNOWLES: I note that the name of this committee is the Joint Committee on Old Age Security?

By Mr. Fleming:

Q. I suppose that is not official anyway. May I ask the Doctor a question on the extent to which the report of the Committee on Ways and Means represented a unanimous or only partial expression of opinion in the committee; and what was the fate of the report?—A. Well, Mr. Fleming, the report of the House Ways and Means Committee resulted in the drafting of a House bill—H.R. 6000, which was passed by an overwhelming majority of the House of Representatives at the last session. I have forgotten the size of the vote but, as I recall it, it was several hundred in favour and 12 or 14 opposed. The report of the House Ways and Means Committee itself is not a unanimous report. There is appended to the report a minority report signed by ten members of the committee, but I am not certain of the total membership of the committee.

Q. It must be pretty large.—A. In addition to the main minority report there is a memorandum expressing additional minority views and which is signed by representative Carl T. Curtis, one of the members who signed the main minority report. Two other members of the committee who endorsed the main minority report also endorsed representative Curtis' report.

Q. Are you in a position to say in just a word what the bases of the minority reports were, and in what way they differed from the expressed opinion on the part of the majority?—A. I think, in essence, the point of view of representative Curtis and the two people who signed his report—as distinct from the main minority report—was that they should abandon the narrow social insurance approach and go over to a scheme which would provide in effect a flat uniform basic pension on a social security basis, financed by a special form of taxation.

I hope I am not being unfair in saying that I think the approach of representative Curtis comes very close in principle to being the approach that was outlined in the proposals of 1945.

Mr. CROLL: What did the 12 other representatives have in mind?

The WITNESS: I would have to check that Mr. Croll, to be sure, but, subject to correction, I believe the main minority report was a memorandum of dissent within the framework of old age insurance principles; that it was not as radical a departure as representative Curtis' memorandum from the basic approach which is today contained in the old age insurance law of the United States. There were differences in point of view as to whether or not the maximum for purposes of old age insurance contributions should be raised from \$3,000 to \$4,800 and whether the disability insurance provision should be retained in

the law as is proposed in the new Bill, H.R. 6000. There were certain other points of disagreement on that account. As I recall it there was not a major disagreement so far as the main minority report was concerned, on the fundamental points of principle—namely the orthodox insurance approach.

Continuing with Mr. Fleming's question: Congress rose last fall before the Senate could get to consider H.R. 6000. H.R. 6000 was brought before the Senate in the early part of 1950 and the Senate Committee on Finances has since January been holding public hearings on the House of Representatives Bill, H.R. 6000. Those hearings commenced on January 17 and the first two volumes end on February 13 of this year. There is a third volume of evidence which we have not yet obtained but I understand the Senate Committee on Finance has finished its public hearings and is now holding sessions in camera with a view to coming up with an alternative bill that will then make it necessary for the Senate and House Committees to get together, in accordance with their constitutional practice in the United States, to iron out the differences between the Senate and the House of Representatives bills. Once that is done it will be reintroduced into both houses and from there on it will, presumably, be reasonably sure of passing.

By Mr. Fleming:

Q. Apart from H.R. 6000 was there any formal adoption of the House of Representatives of this majority report?—A. H.R. 6000 was the bill that was drafted and passed.

Q. Yes, but between the introduction of the bill and the tabling of the report of the Ways and Means Committee was there any intermediary step? Was that report adopted in the House; or is that the practice there?—A. I am not strictly familiar with that point, Mr. Fleming, but I say again that H. R. 6000 reflects exactly the report of the House Ways and Means Committee. I do not know whether they adopted the committee report. I do know they passed the bill which is a legal reflection of the committee majority report.

Q. The matter is probably not of great importance if the bill is a complete reflection of the point of view of the majority report?

Mr. KNOWLES: After all reports are tabled in our House but they frequently stay on the table.

The WITNESS: There was no change in HR 6000 between the time it was drafted by the Ways and Means Committee and passed by the House.

Mr. MACINNIS: Would it not be fair to say despite the praise the House of Representatives Ways and Means Committee has given to the insurance form of Old Age Benefit that they realize it is not sufficient to meet the needs of old age security; and in order to meet those needs they have the old age assistance legislation? And that it is only partial coverage for people in certain categories, who have employment in certain industries; and that outside of those industries there is a large section of the population which must be covered in some other way? And that the old age survivors insurance would not by itself take care of old age needs in the United States?

The CHAIRMAN: That is right.

The WITNESS: I think everything you say, Mr. MacInnis, is a correct reflection of the apparent attitude of the House Ways and Means Committee; and I would, myself, go farther than that and say that the amendements which they themselves have proposed in HR 6000 as it now stands are again a reflection of fact that they feel the very urgent need of making some pretty farreaching changes in the basis of the present old age insurance law, in order to make it possible for a large number of United States citizens to be brought under insurance, and in order to make it possible for more socially adequate benefits

to be paid at the earliest possible date; and in order to diminish the load on the public treasury of the old age assistance program. I think it is quite clear that every step they are taking is a step in the direction of greater universality and in the direction of a more basic initial benefit.

For example, HR 6000, the House of Representatives bill, proposes to increase the coverage from 35 million as at present out of the 60 million of the total labour force to 46 million out of the 60 million which represent the total labour force. The social security administration, whose views did not prevail on this point, proposed to attempt almost an even closer approach to 100 per cent coverage under the insurance program. That shows that they are doing everything they possibly can within the limits of what they consider to be administratively feasible to bring the largest possible percentage of the working force under the insurance program.

In addition to that—and I think most significantly, Mr. Chairman—they have recommended that the minimum primary benefit which is presently \$10, be immediately increased to \$25. So there again you are getting more and more of an approach to a minimum socially adequate benefit at the outset; and you are getting more and more of a departure from the principle that the benefit paid should be directly related to the amount which the individual himself made in earning years in the way of a contribution.

I think both of these points indicate the way in which the House of Representatives Ways and Means Committee is trying to modify these old age insurance mechanisms so they will approach universality and approach the position where they will be able to pay a basic initial benefit which is considerably closer to adequacy than those they have at the present time.

By Mr. Knowles:

Q. Could it be pointed out in addition to the raising of the minimum, and the movement in the direction of universality, that the fact that the old age assistance pension is granted on a means test basis moves in the direction of almost a flat benefit? Within a state is there not pretty much a tendency between the two systems for those who come on old age pension to pick up more or less a flat benefit?—A. I do not think I follow you on that, Mr. Knowles. I think there is a very great difference for example in the level of benefits paid under the insurance program and under the assistance program at the present time.

Q. My point is that people who qualify for O.A.S.I. and then find that it is not sufficient apply for a supplement to it under old age assistance; so that in the end, despite their profession of faith in the insurance principle, they find that their budgetary concept of pensions free of the needs test results in their tending to pay people out of the two systems an amount which approaches uniformity.—A. I am afraid I cannot agree with that. First of all, the number of individuals who get a supplementary benefit under old age assistance is only 10 per cent of the persons presently drawing benefits under O.A.S.I.; and of the latest figure of 1,900,000 of those who are 65 years of age and over who are drawing some form of insurance benefit at the present time, only 200,000 of them get supplementary payment under the means test old age assistance program. Therefore the numbers are, I think, too small a proportion of the whole to make your conclusion a possible one.

And secondly, I would point out as I said the other day that unlike our means test, the United States old age assistance program is based on a needs test, and that implies much more in the way of variability in individual cases than does our approach.

It is not the case in the United States as it is in Canada that they build everyone's income in fact up to at least \$480 a year. They take each individual's income and supplement it, in principle, only by the amount which is necessary to

provide that individual with a minimum adequate living budget. My conclusion, for what it is worth, Mr. Knowles, would be that the Old Age Assistance Program combined with O.A.S.I. does not contribute significantly to a basic uniform pension right across the board.

I have mentioned for example the tremendous variability in pension payments as between the various states. I think however one factor which would tend towards the concept of a basic uniform pension is the recommendation of the House of Representatives Ways and Means Committee that the minimum basic benefit is to be put at a level of \$25 a month.

By Mr. Croll:

Q. Now that you have opened the subject, you might care to look this material over for a moment and tell us what they propose to do.—A. I would prefer, Mr. Chairman and Mr. Croll, if I may, to complete my remarks. I promise to be as brief as I can on this document, and then to spend the last half hour of this session on what the proposals for change consist of. Would that be possible?

The CHAIRMAN: Agreed.

By Mr. Fleming:

Q. Are any copies of HR 6000 available?—A. There is just the one copy which we have.

Q. It is too lengthy a document to be mimeographed?—A. The amendments contained in HR 6000, in so far as they relate to old age insurance but not to the rest of the social security program at all, on page 7 of the document which I have before me and they end on page 170. I would point out in fairness that it is double spaced in large type.

Mr. KNOWLES: Do not show that to any minister of this government.

The WITNESS: I would point out that the definition of unemployment extends for 11 pages. So you will see some foundation thereby for the complexity of the provisions of the legislation. The prize example of all is perhaps the section which purports to define the so-called continuation factor, which I can not begin to understand and would not even attempt to explain.

The CHAIRMAN: Is Mr. Benidickson present?

The WITNESS: I mention that to indicate some of the complexities which arise when you try to project an orthodox contributory insurance plan into legislative form which will be valid on a sound actuarial basis for the next 50 years or more.

By Mr. Knowles:

Q. Before we leave this statement which Dr. Davidson has read on pages 6 and 7 of the brief, I would like to call attention to the paragraph at the top of page 7 which states:

Knowing that any assets and resources he may accumulate will not disqualify him and his dependents for benefits, the worker is encouraged to make private savings in order to supplement his social insurance benefits.

When we were discussing New Zealand did I not comment upon or ask to get information as to what the effect in New Zealand had been in this field?—A. I do not recall any request for specific information on this matter?

Q. Then I won't ask you to do the research. But may I ask if you have any general information on it? It seems to me that the point that these people tried to make does not apply to the American system anymore than it applies to the New Zealand system. The accounts I have seen would appear to indicate that down there where they have a social security plan rather than a social

insurance set-up it results in people doing exactly this same thing; once they discover that they have a certain amount which they will get as of right, they are thereby encouraged to try to build up their resources?—A. My interpretation of this paragraph is this: It simply says in so many words that in an insurance program where there is no means testing, and the resources are not taken into account, therefore to that extent there is no penalty on a person who has put aside assets and resources for his later years. That is undoubtedly true of old age insurance in the United States; that is undoubtedly true of the universal superannuation in New Zealand. But it is undoubtedly untrue of old age assistance in the United States and it is undoubtedly untrue of the old age benefit in New Zealand.

Q. In other words, the important factor is whether or not there is a means test, and not the basis of the contribution?—A. That is right. And if I might interject on that point, going back for one moment to the Canadian Old Age Pension Act as it is at the present time, I think the members might find it interesting to think about this point I am going to make now. That is that the Canadian means test provisions are not, I think you will find, as onerous on applicants in terms of their thrift and their savings and their assets as sometimes they might appear to be. They are, however, much more onerous, as I see the picture, in terms of continuing income that the pensioner may receive from seventy on, in terms of a small part-time job or continuing superannuation payments from other sources, or something of that sort. I think there is an interesting distinction to be made as to the way in which the Canadian means test provisions work out as between the assets which the individual has, where he is not penalized so heavily, and income of a continuing nature which he receives and where he is subject to rather more narrow limitations. I am simply making that point without endeavouring to explain it in further detail, but I think perhaps if you work out some of the examples that we discussed at earlier sessions you will see the point that I make.

I would point out, Mr. Chairman, one other thing before going on to page 8, and that is with respect to paragraph 2 of page 7, where they point out that social insurance may have a deflationary effect on the economy. I think it will be clear to members that a social insurance program of the kind they have in the United States, which in the initial year draws off much larger sums of money than it pays out, has a deflationary effect on the economy; and that means that in terms of boom years it may have a very beneficial effect on the economy by drawing off excess purchasing power and paying out smaller amounts—just as we were fortunate in the setting up of our unemployment insurance program and building up a large reserve at a time when because of economic conditions during the war years—it was desirable to drain off certain excess purchasing power. That perhaps had a wholesome effect in terms of our war time economy; and the same was true, during the war years of OASI in its over-all effect on the U.S. economy. The situation might, however, not be quite so beneficial, from the point of view of the economy, of this kind of contributory insurance program, based as it is on the assumption that you build up large reserves, if you are unlucky enough to start it at a time when you are getting into a period when the national productivity is declining. This would have an opposite effect on the economy of the country. And so, perhaps, the drawing off of these large reserves might have a deflationary effect on the economy at a time when it was not desirable.

Mr. FLEMING: That would not be what you would term a managed economy?

The WITNESS: No, far from it. I was just speaking about the stabilizing effect that was mentioned here which has to be taken into account along with the points that I have mentioned; that this drawing off of reserves in the early years

can have a good or a bad effect on your economy depending on the relative period of prosperity in which you initiate the scheme. And, therefore, to that extent, Mr. Fleming, I think the argument might follow that this actuarial social insurance program could be a beneficial thing in economic terms or could be somewhat less beneficial, depending on the period when it is inaugurated.

Mr. MACINNIS: Considered in social terms, savings can be a good thing at one time and they might not be so good at another time, if the capital cannot be expended on consumer goods.

Mr. FLEMING: That is the same as saying that there are times when savings might not be a good thing.

Mr. MACINNIS: It would amount to that.

The WITNESS: May we turn, Mr. Chairman, to the next section on coverage? Now, in connection with that I would draw your attention to the graphic presentation of the material on page 8 as shown in the chart which is at the top of page 12. It shows that for the calendar year 1948 some 35.3 million individuals were under coverage in the insurance program in that year; 59.5 per cent of the total working force; and it shows in the other section of the chart the main groups who were excluded.

Mr. FLEMING: You spoke of the total labour force, don't you mean the employed labour force?

The WITNESS: The employed labour force. You are right.

Mr. FLEMING: Is there a difference between the total labour force and the employed labour force?

The WITNESS: Yes.

Mr. FLEMING: Does that include the unemployed members, the total labour force?

The WITNESS: There is a distinction between the total labour force and the employed labour force.

Mr. FLEMING: Yes.

The WITNESS: That distinction in fact, Mr. Fleming, is shown on page 8 where it says, "the total civilian labour force in the calendar year 1948 has been estimated at 61.4 million persons and 59.4 million were employed in the average work week."

Mr. FLEMING: You used the expression as applied to this chart I, that it indicated the total labour force; it really indicates the employed labour force only.

The WITNESS: That is correct.

Mr. FERRIE: I was just going to ask you if you could tell us whether or not this scheme is voluntary or whether it is compulsory. Is it voluntary?

The WITNESS: No, sir, it is compulsory for those groups which are brought under the scheme, and you will find on page 9 and following the main groups who are excluded from coverage. At the present time, these groups consist of agricultural labour, both farm operators and farm employees and unpaid family workers, totalling about 7.9 million in 1948. The excluded group also includes the non-agricultural self employed, such as the small business and professional person, totalling about 6.1 million in 1948. They exclude also from the contributions and benefits of the O.A.S.I. federal, state and local government employees, totalling 4.3 million in 1948 and domestic servants, totalling 1.7 million—that is domestic servants in private homes—and employees of charitable and non-profitable institutions, totalling about 600,000 persons. There are other excluded employments mentioned at the bottom of page 11. The most important ones in that section are the railroad group which are covered by the Railway Retirement Act. Now, none of these individuals I have

mentioned are covered either for contributions or benefits under the old age insurance scheme; and you will see from the chart following page 12, Mr. Ferrie, that the different sections in the chart show these mentioned groups which are excluded as well as the total group that is included at the present time.

By Mr. Knowles:

Q. When you gave these figures on coverage, Dr. Davidson, did they include only the people who are contributing or do these figures include those, for example, over sixty-five who have retired and are on the rolls as recipients?

—A. They would not be in most instances a part of the employed labour force, Mr. Knowles, because if they are in that sector of employed labour force which is under insurance they are not allowed to receive benefits while working.

Q. This is the picture of those contributing?—A. That is right.

By the Chairman:

Q. Would you make a comparison between the number mentioned on chart I and the number mentioned on the table on page 16?—A. It is difficult to make such a comparison, Mr. Chairman, because the figures shown on chart I relate to the employed labour force as of the year 1948. The figures shown on page 16 relate to the total number of individuals living today who at any time since 1937 have made even one contribution to the Old Age Insurance Fund. You might have a man, for example, who was sixty-four years of age in 1937 and contributed for that year. He would not be entitled to any benefit because he would not have built up even six quarters of coverage, and he might still be alive today. He would not be in the employed labour force as shown on chart I because he would be 77 years of age today; but he would be one of the 78 million people who at some time since the inception of the scheme did make a contribution to the Old Age Insurance Fund. The only ones who are excluded from the 78 million mentioned on page 16 are those people who have made contributions since the fund was set up but who in the meantime have died; so the table really shows all the people alive today who at any time since the beginning of the program have made even one single contribution to the Old Age Insurance Fund.

Q. In other words, it includes all those who have made a contribution to the fund at one time or another since it was set up?—A. That is right, except for persons now dead.

Q. Which means that you have more people in the table than those who are presently covered.—A. It is correct to say this: every person who is now under the insurance program is included in the figure of 78 million shown on page 16. In addition that figure includes any other person who at some time in his history has made contributions to the Old Age Insurance Fund.

Q. And who is not presently dead?—A. That is right.

By Mr. Croll:

Q. There is just one thing which occurs to me: is there any provision in the Act for the case of a man who has, say, paid in for twenty-five years and has never had occasion to draw any benefits for his care; he has never had any occasion to draw anything; and let us assume that he dies a year before he becomes eligible to draw benefits; or, on the other hand, is there any provision for a man who has never drawn benefits, although he has contributed all his lifetime, getting any of these sums back?—A. There is no refund provision, Mr. Croll. Take the clearest example I can give you. Suppose you have a single man who has no dependent parents, no children, no wife, and he has been contributing from 1937 up to the present time and he dies before reaching the age of sixty-five.

The maximum benefit that could be paid in respect to him is six months of his primary benefit, as a funeral benefit or as a benefit to defray his last illness expenses.

Q. Let me follow that just offhand. We have not reached it, but while I am on the point, may I ask whether there is a refund provision under the British Act?—A. I could not say that offhand, Mr. Croll, but it will be made clear tomorrow. I am informed by Mr. Allan that there is no refund provision under the British Act. There was originally before the 1940 amendment a refund of premiums in the American Act, but they thought that was undesirable because it meant paying back on refunds a very large amount of money that was collected, and they thought that it was better to try and convert this into some type of supplementary benefit payment which had perhaps more social justification. That was when they introduced the survivor's benefits and the lump sum death benefit provisions. That means in some cases that the individual who under the old Act would have got his premiums refunded to his estate now forfeits these and they are used for other perhaps more worthwhile purposes in respect to other beneficiaries.

Mr. KNOWLES: That is the same with our Unemployment Insurance Act?

Mr. CROLL: But that is not the same with the British Unemployment Insurance Act; that is the point I was getting at.

The WITNESS: The end effect of the figures on page 8 and chart 1 is that about three-fifths of the working people of the United States are presently covered under old age insurance and about two-fifths are presently outside the scope of the Act completely.

By Mr. Fleming:

Q. And that proportion will increase if H. R. 6000 is adopted?—A. Yes, Mr. Fleming. I can give you some figures on that which I think will be interesting to put right along side of this. I have here before me a chart which is based on the situation as it will be in June, 1951, that is next year, if H.R. 6000 goes into effect. This chart shows that of the total employed labour force which they estimate as at that time, to be about 64 million, 35 million or 54·8 per cent will represent the presently covered group. H.R. 6000 will bring in an additional 10·7 million or 16·8 per cent, so that if H.R. 6000 goes through it is estimated that in 1951, out of a total employed labour force of 64 million, 45·7 million individuals representing 71·6 per cent of the employed labour force will be covered. There will still be excluded certain substantial groups who in the opinion of the House Ways and Means Committees should not yet be brought under coverage. The main exclusions, as indicated in H.R. 6000, are the self-employed in agriculture, 5 million; hired agricultural workers, 2·2 million; unpaid family workers in agriculture, 2·6 million; federal civil employees, 2·3 million; the armed forces 1·5 million; railroad workers 1·5 million; non-farm self-employed 1·5 million, and certain other small groups like clergymen and members of religious orders, a section of the domestic service group and unpaid family workers in the non-agricultural field.

Q. What groups are coming in in consequence of the extension of coverage by H.R. 6000?—A. The groups that will be brought in are the urban self-employed, 4·5 million; state and local government employees, 3·8 million under a voluntary contract or compact with states; domestic service, ·8 million, that is about half the total of the domestic service working force; non-profit organizations ·6 million; employees of agricultural processing plants off the farm, ·3 million; and a few other very small groups. I should point out with respect to the state and local government employees that the decision as to whether or not those groups will be brought in will depend upon whether the state wants to enter into a contract with the federal government on a voluntary basis and assume the role of employer in regard to paying the employer's contribution.

The CHAIRMAN: What about the urban self-employed? How do they come in? Voluntarily or compulsorily?

The WITNESS: The urban self-employed will be brought in compulsorily, and they will have to devise a different system of obtaining the contributions from the urban self-employed. The contribution in the first place will be fifty per cent higher than it will be for the worker because there is no employer to make a contribution. The urban self-employed therefore will have a starting rate of two and one-quarter per cent as against one and one-half per cent now being paid by the wage earner and it will be necessary for those contributions to be collected in fact as part of the income tax collection procedure. There will be a special section on the income tax return and it will be through that machinery that the collection of the contribution for the urban self-employed will be made.

By Mr. Brooks:

Q. What class have no coverage of any kind?—A. You mean if H.R. 6000 is adopted?

Q. Yes, after H.R. 6000 is adopted.—A. If H.R. 6000 is adopted it will be mainly the agricultural groups and about one-half of the domestic servants working force plus clergymen and members of religious orders and a few other miscellaneous groups of that kind. Railroad workers and federal civil servants will also continue to be excluded since they are separately covered.

Q. The agricultural groups are not being brought in, I suppose, on account of the difficulty of collecting insurance payments?—A. There is a very interesting point there, Mr. Brooks. At the time that the House Ways and Means Committee was considering what bill it should present there was little reaction from the farm area and little evidence of their interest, and therefore, they said: let us leave the farm groups out until such time as they indicate very clearly they want to come under the provisions of the legislation. Now the Senate Committee on Finance has been holding these hearings during the last three months, and as I said, the farm organizations have come forward, with a fair amount of unanimity, and said: as we are going to have to pay for this now in the cost of consumer goods we want the farm groups to be brought in.

Q. It is not considered to be an insurmountable difficulty to bring in the farm groups?—A. No, they propose to use the stamp books plan of collecting contributions from the farmers, both in respect to themselves and in respect to their farm workers.

By the Chairman:

Q. Would they have to file an income return?—A. The farmer would.

Q. And, of course, the urban self-employed will have, in any case, to file an income return even if he does not have to pay an income tax?—A. I am not certain of that point, Mr. Chairman, but I assume he will have to file an income tax return as a means of making his own old age insurance contribution.

Q. Because there is no exemption there?—A. No. I should point this out, too, that while it is true that the social security administration states that they are satisfied that they can develop his collection machinery, both with respect to the rural self-employed and with respect to the urban self-employed, they have had up to the present time no experience in the old age insurance administration to prove that their confidence in that is justified. I am not suggesting it is not justified but it still is for the future to determine the extent to which that will work out in actual practice.

By Mr. Smith:

Q. Would this chart show about the same for Canada?—A. For what my guess is worth, Dr. Smith, I would say it would be about the same. The

rough proportion of urban to rural population in Canada is approximately the same as in the United States, and I think the indications are from the degree of coverage that we achieved under the Unemployment Insurance Act that we could get at least a high degree of coverage, and quite possibly a higher degree under an old age insurance system.

Q. Would there be the same variance between the provinces as there is between states in the United States?—A. Right.

Mr. KNOWLES: Do I take it if H.R. 6000 goes through they will have two ways of collecting the money.

Mr. CROLL: They will have three.

The WITNESS: They will have three; they will have the payroll deduction at the source by employers in respect to employees. That incidentally, as of this year, is being tied up with the income tax form return. It was formerly a return made on a separate form. Then there will be the direct income tax return method for the self-employed in the urban areas. And then the stamp book method will be used in the rural areas.

By Mr. Knowles:

Q. Which department of government makes the collection of this money?—A. The Bureau of Internal Revenue.

Q. As from the start?—A. Yes, I am quite certain of that. I should point out in that connection that so far as we can get the picture clear, the figures as to administration costs that I gave you in a previous session do include the collection costs of the Bureau of Internal Revenue which are applicable to the old age insurance contribution.

Q. Collecting in the United States is not done by any department corresponding to the Department of Health and Welfare?—A. No.

Q. You say that quickly.—A. Perhaps I should say no, period. I think it might be of interest in connection with Dr. Smith's point to underline again the uneven effect that this approach to date has and will continue to have, to some extent, on the coverage in the various states. The coverage in the different states varies considerably because of the fact that in certain agricultural areas the working force is largely agricultural and therefore in the excluded groups, while in other states the working force is largely industrial and therefore most of them come under the provisions of the old age insurance program. I thought I had a chart readily available, Mr. Chairman, to illustrate that but I have not, so perhaps I had better hurry on and just leave the point in a general way, as I have mentioned it.

I would now like to turn to the section on contributions, which I think we covered pretty well yesterday. I would point out that under the Act, as it stands at the present time, the contributions having remained on a flat one per cent rate by employees and employers from 1937 through to 1949, went up to one and one-half per cent each in 1950, and are due, under the present law, to go up to two per cent each for the years 1952 and thereafter. Under the new proposals of H.R. 6000 the legislation provides for the rate eventually to go up to three and one-quarter per cent for the employer and the same for the employee. This will mean a rate of $4\frac{7}{8}$ per cent of the self employed. It is interesting to note—

Q. When?—A. Under H.R. 6000.

Q. When is that higher rate to be reached?—A. In 1970, I am informed, but we will check on that.

It is interesting to note, in that connection, that Congress in considering this program at the outset had two alternative choices to make. One was to finance the scheme on what is called a level premium approach where you start, at the beginning, to pay a flat premium rate which will have to be continued in

perpetuity to keep the fund in balance. That level rate was originally estimated to be close to 8 per cent but is now estimated for the present law, at about 4.5 per cent—which would mean $2\frac{1}{4}$ per cent as the level premium rate for both employers and employees. But, because that would have resulted in building up a much greater immediate reserve, the approach taken by Congress initially was to start on this graduated basis, starting at 1 per cent and going up by $\frac{1}{2}$ per cent every three years and reaching, under the original enactment, an eventual total of 3 per cent. So you get this variation in approaches—

Mr. BROOKS: Why did they abandon the original idea of increasing by $\frac{1}{2}$ per cent every three years?

The WITNESS: They abandoned that in 1940 for two reasons. First, even without the level premium approach the funds they were building up were of very large magnitude. They were not paying out any benefits at all in the first five years and both employee groups and employers complained about the idea of increasing the contribution at a period in 1940 when no benefits at all were being paid out and when tremendous surpluses were being built up for future years. Because of that fact Congress abandoned the original idea of increasing the rate by $\frac{1}{2}$ per cent in 1940. That increase did not actually go into effect until January 1st of this year.

Yesterday I think I covered about as well as I could cover the section on benefits—where you see set forth the different categories of benefits: permanently insured, fully insured, currently insured status, and so forth. I am not going to delay the committee further on that section nor am I going to delay it any longer in regard to the average monthly wage matter which appears on page 17. I think I have dealt with those things about as extensively as we need consider them and the same applies to the different kinds of benefits—primary insurance benefits, and the various insurance benefits for widows, children, and dependent parents.

I also discussed the primary benefit formula which appears on page 18 and, unless there are other questions, I will proceed to pass on through all of those.

I think the next point we might turn to is the table on page 28 where we set forth the situation as of December 1949 in respect to the number of beneficiaries of various types, the total payments, and the average benefits. You will note there a confirmation, incidentally, of a figure that was given yesterday. The average over-all benefit runs slightly over \$20 a month at the present time. The average primary benefit is \$26, and then you have these other benefits which are in all cases lower than the primary benefits—either one-half or three-quarters of the primary benefit. So, as of December 1949 a total of 2,742,808 individuals—men, women, and children, were benefiting in some way under the scheme and the benefit payments in that month amounted to \$56,074,400. That excludes the lump sum death benefits which are mentioned in the footnote.

By Mr. Knowles:

Q. Doctor, yesterday did you give us some indication as to the highest primary benefit that is being paid?—A. The highest primary benefit that you can get is on the next chart—page 29. I checked the matter myself this morning because I was not sure why the chart stopped at that point. But, as of December 1948 the highest primary benefit that could have been paid was \$44.80. That would be the benefit paid to a man who has been under coverage for twelve years from 1937 at the full average monthly wage rate of \$250 a month. He would get 40 per cent of the first \$50—\$20; 10 per cent of the next \$200—another \$20; a total of \$40; then he would get an increment representing 1 per cent for each of the twelve years—12 per cent of \$40—being \$4.80. That means the maximum primary benefit would be \$44.80. The maximum primary benefits at the end of 1949 would be \$45.20.

Q. That man might be drawing a wife's benefit as well, or his widow might be drawing widow's benefit and child's benefit, but the absolute ceiling would be twice this amount?—A. Or 80 per cent of his average monthly wage; or \$85—whichever was the lesser. \$85 would be the absolute ceiling.

Mr. FERRIE: \$85 is the top that he could draw; is that right?

By Mr. Knowles:

Q. In addition to the two primary benefits there is also a ceiling of \$85?—A. Also a ceiling of 80 per cent the average monthly wage. It is the least of these three things which determines the maximum benefit.

Q. Ten years from now the \$44.80 figure could be higher but the other two figures could not go higher?—A. Right. One of the recommendations in H.R. 6000 is that the figure be raised—

The CHAIRMAN: To what?

The WITNESS: \$150.

Mr. FERRIE: Right now it cannot be raised?

The WITNESS: As the law stands the maximum ceiling is \$85 or 80 per cent of the average monthly wage as we explained it yesterday, or twice the primary bent—whichever of those three things is the least.

By Hon. Mrs. Fallis:

Q. I would like to ask Dr. Davidson something with respect to the sentence: "In the same month just over three-quarters of all the females receiving primary benefits received less than \$25." They do not say how much less. What would be the minimum there?—A. I have a chart, Senator Fallis, which I would be glad to show you but which is rather difficult to put into the record. It shows in the solid black lines the average benefit, in so far as men are concerned; and then it shows in the hatched lines the numbers of female beneficiaries on primary benefit, at the various amounts. The first two columns, for example, show that about 7 per cent of all males drawing primary benefit draw the minimum benefit of \$10; whereas 15 or 16 per cent of all females drawing primary benefit draw the minimum \$10. In the three lowest brackets: \$10, \$10 to \$20, and \$20 to \$30, you will notice the percentage for females is higher than the percentage for males. In the case of benefits between \$30 and \$40, between \$40 and \$44.80 you will see the percentage of females drawing those higher benefits is much smaller than the percentage for males.

Q. I was just wondering, when it said that the average primary benefit for males was \$25.35, why they did not give the average primary benefit for females. They just say that it was less than \$25; it might be anything.—A. I will have to ask them why they discriminate against women in that way, Senator Fallis. We are only digging out whatever information we happen to get our hands on.

May I turn then, Mr. Chairman, to the last section which really deals with the question of finances. I do not know that there is a great deal that I need delay the committee with there since a good deal of this was discussed yesterday. The basis of the program, of course, is a trust fund based on an actuarial reserve as a basis of operation. It has never at any time been, in the strictest sense of the word, a full actuarial reserve. They did not start building the fund up on a level premium rate, to establish a full actuarial reserve; they started initially to collect at a lower rate, which meant collecting smaller amounts in the initial years than were required on a level premium basis. But even at that, as I said yesterday, they found the reserve building up to a point where it was, if not actuarially sound, at least embarrassing in terms of size. Modifications were introduced in 1940 which made it possible to pay benefits two years earlier than had been intended; which added survivors' benefits, which had not been contemplated in

the original enactment; and which delayed the coming into force of the higher premium rates that we have been discussing this morning.

It was at that time, realizing that they were departing rather considerably from a full actuarial concept, that they thought it wise to write into the law a provision saying in effect that if in later years the fund reaches a deficit position the government will have authority to subsidize the fund from general revenues if it is necessary. But, in fact, the fund now stands at a total of about \$11½ billion which has made it unnecessary for any moneys to be provided from the general revenues of the federal treasury. While \$11 billion sounds like a formidable actuarial reserve, it is actually about \$7 billion short at the present time in the terms of actuarial requirements.

Mr. KNOWLES: Is it thought that under this Bill H.R. 6000 with the higher rate to be reached in 1970 that will put the fund on an actuarial basis?

The WITNESS: The purpose of this higher rate as you go along is to make up the fact that in the earlier years you did not require full contribution and as I said yesterday, the actuarial estimates under H.R. 6000—the two extreme estimates—indicate that on an optimistic basis they may, in the year 2000, be \$175 billion in the reserve. The pessimistic estimate is that the fund will be in deficit in 1992. A compromise has been established and that is the eventual actuarial reserve around the 1990's will be approximately \$80 billion, which incidentally might be taken for comparison purposes in relation to a figure which I saw the other day showing the total assets of all the life insurance companies in the United States stand now at around \$51 billion.

By Mr. Croll:

Q. In fact their original figures may have been quite right on an actuarial basis if they had not added, without increasing the amount of contributions, both the widow's benefit and the dependent's benefit.—A. I think their experience now indicates to them, Mr. Croll, that their original estimate on what they called the level premium costs required to finance the scheme on a full actuarial basis was considerably higher than they now think it was necessary to be. The original actuarial estimate was just under the eight per cent level premium rate required, while the latest estimate under the present Act which, as you know, has added survivors' benefits—the present estimate now is about 4½ per cent as a level premium rate.

Q. Are they not trying to avoid what you pointed out a few moments ago, the freezing of a terrific trust fund?—A. Not on this point. This point deals with what the actuaries originally thought in 1935 would be required as a level premium rate basis to finance the fund fully on an actuarially sound basis; and their original estimate was of a level premium rate just under 8 per cent, that is, without dividing it between employer and employees.

But their latest actuarial estimate of the level premium rate required to fund the Act fully as it stands today is about 4½ per cent.

By Mr. Knowles:

Q. Would that be combined or split?—A. Combined; four and one-half per cent as against eight per cent. And you might ask why the difference. I am not actuary enough to know all the reasons for it but I would suggest that one of the elements which it is not possible for any actuary to take into account in a situation of this kind is the element of the individual choice as to when he is going to retire. You may have a retirement program based on an age of 65 years. Your actuaries will have to provide for the contingency that everyone will want to retire at 65 years of age. The life insurance companies do that because they pay their benefits at the age of 65, whether or not the person goes on working after that age. But in this situation if the person goes

on working in a covered employment, he is disqualified for benefit; and because of the small amount of the benefits in the initial years, because of the wartime demand for workers, literally hundreds of thousands, well over one million individuals who could have been drawing benefits during those years chose to go on working and to forfeit any benefits they might have taken up.

I recall seeing a table recently which indicated that even today there are probably an additional million persons still in the labour market who, if they wanted to retire, could retire and draw benefits immediately, and could in fact have been drawing benefits for the last year or so, since they reached their 65th birthday.

They could not take that kind of thing into account in the actuarial calculations made originally in 1935; and I think that the actuaries now are probably trying to take into account to some extent some of these factors which are not entirely subject to actuarial calculations.

Q. They are doing a great deal more estimating and guessing in this field than the ordinary life insurance actuaries; and when you take into consideration all the economic and social factors, it must be almost an impossible assignment.—A. It is a much more difficult estimate to make in this kind of program, I would judge, than any straight actuarial estimate for life insurance purposes.

By Mr. Fleming:

Q. The life insurance people are usually working with selected risks?—A. The life insurance companies do work very closely with the actuaries of the old age insurance fund. And I have here a report of Mr. Linton's testimony from which I shall read as follows:

... We had a man from one of the large life insurance companies in New York come down and review the calculations of the actuary of the Social Security Administration. He felt that the work was as well done as could have been done using the theoretical bases he had to work on.

Q. Under our own unemployment insurance experience it was contended that it was on an actuarial basis. But changes and conditions have made it necessary to make changes in the Act in order to keep it on an alleged actuarial basis.—A. Perhaps we should, as a last word, draw attention to the—

By Mr. Fleming:

Q. Before you leave that and pass on to this final subject, Dr. Davidson, may I say that in working out their actuarial calculations I presume there have been questions of policy necessarily involved. Was one of those policies any intention to eliminate within the period over which the calculations were running the old age assistance plan?—A. I cannot answer that question satisfactorily, Mr. Fleming. I think it would be fair to state that that was one of the objects of the administration; but I think it would probably also be correct to say that that was not a factor which could have been taken into account in making the original calculations.

Q. Not the original ones; these revisions now?—A. I think it works backwards, if I may say so. I think that the social security administration or the authorities in charge say: We cannot go on with this present program which result in large numbers of people getting small benefits, and even larger numbers of people being outside, and with old age assistance costs mounting. Therefore we have to decide if we will pay \$25 instead of \$10 as a benefit; and if we are going to bring in these extra people, etc. Then, having composed the structure of benefits we are going to pay, and having provided as they do in HR 6,000 for shortening up of the number of quarters for which they have to make contributions, it is fair to ask, with all this in mind, the actuaries to state

now, with these special conditions before them, how much they think it will cost, and what contribution rate we should have to set in order to meet the cost of it.

I think that is what the actuaries have done and you notice incidentally as a result of that the ultimate rate which is now proposed under HR 6,000 is $3\frac{1}{4}$ per cent for employers and employees, whereas the ultimate rate proposed originally in 1935 was only 3 per cent. So I think it is working, perhaps, backward rather than forward, and that the need for doing away with old age assistance to a much larger extent has been taken into account in formulating the benefit proposals; and that in the light of that, the actuaries have had to make their calculations as to the cost and as to the rate structure in terms of contributions.

Q. I suppose while they have to figure it out for the next 40 or 50 years, the time does come when, if the payments within this period are adequate, they will have caught up with these past service obligations. Then you would simply make your contributions cover your current obligations?—A. That is correct.

Q. With perhaps a diminution?—A. You will reach a point where the fund, with its interest earnings and the ultimate contributions, will level off at a balance where your outgo equals your income. You may even go beyond that, and it is not inconceivable that you might strike a situation where, after having taken $3\frac{1}{4}$ per cent over a period of years, and having reached a plateau in terms of income and outgo, you might find it possible to lower the flat rate by $\frac{1}{4}$ per cent. But I have not seen that in any projection which they have taken into account.

Q. That postulates that some things will be equal, and that other things will not be equal?—A. It is interesting to note that if HR 6,000 is passed it will provide benefits immediately for about one-third of the males now over 65 years of age and for one-quarter of the females who are now over 65 years of age, which is a substantial improvement over the present situation but which still leaves, I think the members will see, a substantial area as well for a good many years to come which will have to be covered either by the individual's own resources or by old age assistance.

By Mr. Knowles:

Q. This HR 6000 would bring this percentage up to these figures?—A. That is right. And might I now turn your attention to the table on page 38 which recapitulates income and outgo from the fund over a period of years. It shows the contributions starting with the year 1940, and it shows that there is included therein some transfers from the old age reserve account on January 1st, 1940, transfers which were made from the old arrangements whereby in previous years they had a special account in the treasury rather than a separate old age insurance fund.

You will note how contributions have increased steadily from \$688 million in 1941 to \$1,694 million in 1949. Interest on investments has likewise increased; and those investments are treasury bills, bonds or other obligations of the United States government. Benefit disbursements or benefit payments have increased from a minimum of \$10 million in 1940 to \$607 million in 1949, and administration expenses are shown in the next line, starting at \$12 million in 1940 and rising to \$53 million in 1949. In the earlier years of the program obviously the administration expenses were unusually high in relation to benefit payments. In 1941 they were 41 per cent of all benefit payments and in 1949 they are down to something in the neighbourhood of 8 per cent stated in terms of benefit payments. It is estimated eventually that the administration expense

stated in terms of benefit payments will be of the order of 3 per cent. That is a considerable way in the future, but I do not think anyone really knows at the moment what effect these new commitments to collection contributions from the self employed by way of a stampbook or by way of the other methods I have mentioned, will have on administration cost.

Mr. LESAGE resumed the Chair.

By Mr. Ferrie:

Q. Mr. Chairman, is there any chance of this fund building itself up to a point where the interest would pay the outgo?—A. I do not think that could happen, except in terms of the most gigantic fund that the mind of man has ever conceived. As you will see from the material before you we now have annual benefit payments of \$607 million and under H.R. 6000 the benefits payments will go up to about a billion and a half dollars; and that is not the end: the benefit payments will continue to go up in future years even higher than that.

Q. What I had in mind there was the effect of the change in the retirement scheme relating to labour. Let us suppose that a man who ordinarily would retire at age sixty-five keeps on working until age seventy or longer and still contributes, would not that have the effect of building up the amount of money accumulating in the fund so that in time with interest and added contributions of that kind the income, shall I say, of the fund might be sufficient to carry the benefits? You know the situation over there, where due to the labour shortage the people are being encouraged to work more years than is contemplated under this insurance scheme?—A. The interest on the fund will always be an important factor in building it up, but it will never even closely approach the outgo in terms of benefits. Incidentally, it is interesting to note the difference between the approach of the United States to this fund and the approach in New Zealand. The United States government pays interest on what it borrows from the fund while the New Zealand government does not pay interest; and the reason for that, of course, is that the New Zealand government makes contributions from its consolidated revenue fund and therefore there is not much point in paying interest, because if it paid interest it would simply mean contributions from general revenue would be that much less anyway; but the New Zealand contribution from general revenue is, on the face of it, much greater than it needs to be because they do not pay interest on their borrowings from the fund.

By Mr. MacInnis:

Q. Assuming that a person ceases to pay contributions at age sixty-five but may continue in employment, he does not draw benefits?—A. No, Mr. MacInnis. A person who continues in covered employment after age sixty-five does not draw benefits and he continues to pay his old age insurance contributions. His earnings record after 65 is taken into account only if it means an increase in his average monthly wage. He gets the benefit in that way. If, on the other hand, he is in advanced years and has to accept a lower salary, then his earnings record after age sixty-five is excluded from the calculation of his average monthly wage.

You will note the final line in that table. I would just draw your attention to the way in which the balances in the fund have steadily built up from that \$1,745 million at the end of 1942 of \$11,310 million at the end of 1949.

Are there any other points in which the committee are interested, Mr. Chairman?

By Mr. Fleming:

Q. There is one thing occurs to me, following the question asked by Dr. Smith, in the chart following page 12 of this brief. Should we not have on the record corresponding figures for Canada—that is, from official sources—as to the total labour force and the employed labour force; and then a breakdown of the forces in the various employment categories, so that we will have some basis of comparison? Dr. Davidson indicated this morning that he thought the results would be rather similar to that disclosed by the United States in the chart following page 12. I think we ought to have that on record so that we can all work on the same figures.—A. We will be glad to obtain that from the Department of Labour, or ask the proper department, to get you that breakdown.

Coming back to Dr. Smith's question just for one moment, I would like to put into the record the effect of this chart here, which is to show the differential between the rural areas of the United States and the urban areas in terms of the extent to which old age insurance has taken hold. This chart is based on figures as for June, 1946—the last available—and it shows that of the total numbers of old age insurance beneficiaries at that time, 75 per cent of them were in urban counties of the United States and 24 per cent of them in rural counties; whereas under old age assistance only 48 per cent of those on old age assistance were in urban counties and 52 per cent were in rural counties. The point of that is to indicate the uneven effect that this old age insurance program has in the various states in taking off the shoulders of the state and off the shoulders of the old age assistance program numbers of beneficiaries.

Q. Is there a corresponding table with reference to contributions? Dr. Davidson used the expression, "old age insurance program has taken hold." Could he give us now the effect in a corresponding table under the O.A.S.I. program in respect to contributions?—A. There is no corresponding chart to indicate that, Mr. Fleming, in anything that we have seen. But I think your point is very well taken; that the effect of the smaller insured percentage of labour force in an agricultural state means that they are contributing into the fund a smaller percentage of contributions. But while that affects individuals it still means that so far as the state government is concerned, which does not contribute to the Old Age Insurance Fund at all, it still has the burden of a large number of individuals on its old age assistance rolls. It may be true that those individuals do not have to pay under the old age insurance program, but the fact remains they are still there on the old age assistance rolls; and the figures I gave the other day indicate pretty conclusively, I think, that the numbers on old age assistance in the low income agricultural areas are generally speaking very much higher than the numbers in the urban industrial areas. Therefore, whatever the economic effect in terms of contributions, the fact remains that larger numbers of persons in the agricultural states will continue to have to depend on old age assistance as distinct from old age insurance.

Now, Mr. Chairman, I come to the final part I think I can finish in fifteen minutes. I would like to indicate some of the changes that are now being considered in the very substantial effort that the House of Representatives and the Senate are presently making to improve the old age insurance law, to expand it in the hope that it will be able to achieve the objectives which were originally set in 1935. I should say in this connection that there has not been just one set of proposals; there were several sets of proposals, and very considerable consideration has been given to them. There was a special advisory council consisting of prominent men in the United States, such as the late Edward R. Stettinius Jr., for one, and quite a number of others of the same calibre, set up to study the whole question and make a report to the President as to what

could be done in connection with the extension and improvement of the old age insurance program. One set of proposals came forward for consideration from that council. The second set of proposals came forward, after that council reported, from the Social Security Administration itself. And the third set of proposals, which I am going to concentrate my attention on, are those which have come forward in the form of Bill H.R. 6000 in the House of Representatives. When the bill was up for consideration in the House of Representatives the House took into account the representations of the Special Advisory Council and also those made by the Social Security Administration, and the proposals of H.R. 6000 are now before the Senate for study and consideration. The main changes under consideration may be listed as follows: (1) the extension of coverage. The coverage is to be extended under H.R. 6000 by adding 11 million persons in the employed working force. The number will go up from about 35 million at the present time to about 46 million, and it will still leave about 14 million uncovered. In that respect bill H.R. 6000 which is now before the Senate does not go as far as the Social Security Administration's proposal, which suggested that an attempt should be made to achieve almost universal coverage, perhaps as high as 90 per cent of the people in the labour force. The main reason for limited coverage in H.R. 6000 is that the House Ways and Means Committee did not think it possible or necessary to include the agricultural group; farmers, hired farm workers, and unpaid family workers. It is open to question and speculation, but it would not surprise me too much in view of the testimony given by the organized farm groups before the Senate Committee on Finance, if in the Senate bill these farm groups were included in the coverage of the extended program.

Mr. LAING: What would the percentage covered then be?—

The WITNESS: The percentage then would go up from about 71·6 per cent to between 80 and 85 per cent.

The main groups that are proposed for inclusion in H.R. 6000 are the groups that I have already mentioned in reply to an earlier question: self-employed persons other than farmers and certain professional groups like doctors who have asked to be left out; employees of state and local governments, provided the separate states enter into a contract or compact arrangement, domestic servants employed on a regular basis in other than farm homes, employees of non-profit organizations, except for members of religious orders and clergymen. Those are the main groups to be included in H.R. 6000 as it stands. The main exclusions apart from agricultural to which I have already referred, are federal employees who are already covered under their own scheme and do not need to be covered; members of the armed forces, railroad employees, who likewise have their own scheme; and certain self-employed groups of the kind that I have mentioned. So, if H.R. 6000 goes through, the coverage will be substantially increased to a figure around 46 million or more and there will be a remaining group still excluded of about 14 million or slightly more, representing perhaps a residual 30 per cent of the population.

The second main feature of this attempt to meet the program—

Mr. KNOWLES: Before you leave that, doctor, is it fair to ask this question: is it the adherence of the United States people to the insurance principle that seems to make it difficult for them to move in the direction of universal coverage, bearing in mind that some other countries have moved in that direction?

The WITNESS: I think, Mr. Knowles, the correct position would be stated by saying that they are moving as fast and as hard as they can in the direction of universal coverage. What is holding them up, as I understand it, is the administrative problem involved in achieving universal coverage, granted the kind of program which they have established. That and the fact that there are certain groups who have asked to be left out. The doctors are one, certain

professional groups are others. Then there are the federal civil servants, railway workers, state employees and many municipal government groups—police-men, firemen, and schoolteachers—who already have adequate programs of their own.

By Mr. Fleming:

Q. Are Congressmen, as such, covered?—A. I cannot answer that with any certainty, Mr. Fleming. They are not listed specifically a professional group excluded from coverage under H.R. 6000. That is certainly correct.

Q. Do you think under H. R. 6000 they will be included as such?—A. I cannot answer that for you. Lawyers are excluded and a good many of the Congressmen, I think, would be lawyers.

Q. The better ones?—A. The better Congressmen or the better lawyers?

The second main proposal in H.R. 6000 which goes hand in hand with the first one is an increase in benefits. Very briefly the increase in benefits is arrived at in a number of ways: first of all by raising the income ceiling for purposes of contribution from \$3,000 to \$3,600. The Social Security Administration proposed \$4,800 as a top ceiling, but H.R. 6000 stops at \$3,600. The reason for justifying any increase in this income ceiling is, of course, the fact that there has been such a large steady upward trend in wage levels. For example, only five per cent of the population were over \$3,000 when the Social Security Act was first passed whereas now a much larger percentage of the population is over that \$3,000 mark, and the Federal Security Administration has estimated that if they establish a level of \$4,800, it would correspond in terms of present wage levels to the \$3,000 level they originally established in 1935.

Of more interest perhaps to the members of the committee is the fact that they have changed the benefit formula in the recommendation of the House Ways and Means Committee as contained in bill H.R. 6000. At present it is 40 per cent of the first \$50; under the suggested proposal it is 50 per cent of the first \$100, and the effect of that in terms of the smaller benefits is very noticeable. After taking fifty per cent of the first \$100 under the H.R. 6000 proposal you take as before 10 per cent of the remainder of the salary up to the maximum of \$3,600—that is up to the maximum of \$300 on a monthly basis. So the formula would now be calculated on the basis of 50 per cent of the first \$100, 10 per cent of the next \$200, with one-half of one per cent as the yearly increment for years of past service compared to one per cent as the yearly increment under the present arrangement.

By Mr. Knowles:

Q. Is this the place where that complicated formula that you referred to earlier comes in?—A. The continuation factor comes in on the next part of the benefit formula. They have also proposed to improve the benefit formula by improving the way in which the average monthly wage is to be calculated. First of all, they propose to except from the calculation those years in which the individual was not under covered employment, so that his average monthly wage will be calculated only on basis of those years in which he was in covered employment.

The CHAIRMAN: Years or quarters?

The WITNESS: Years, not quarters.

Secondly, instead of requiring, as at present, for fully insured status one-half of all the quarterly coverage since 1936, they have shortened that, first by dropping out the quarters of coverage which are in the years when the man was not in covered employment, and secondly, they have introduced what they call this continuation factor. In effect—without endeavouring to either understand or explain it—this seems to me to mean that they shorten up considerably

the number of quarters of coverage within a more limited period that will be required to establish fully insured status. I saw in the testimony a statement which I will give you for what it is worth, that the effect of it is to reduce at this point in time the number of quarters of coverage from twenty-six under the present Act to twenty under the amending legislation,—for fully insured status.

I have also indicated that in H.R. 6000 they propose to raise the minimum benefit from \$10 to \$25. Now that, of course, poses a very real problem, if these changes go through, of what they will do with the people who were beneficiaries under the old plan. There would be discrimination, if this went through, in favor of new beneficiaries if there was no application of it to the old beneficiaries, consequently there is in the bill a provision which will adjust the position of the persons presently on the benefit rolls in the direction of the new position which will be established from 1951 on with respect to new beneficiaries. The position is not completely equalized, but the estimate given by the House Ways and Means Committee is that the average increase in the present benefits under H.R. 6000 would be of the order of 70 per cent. with new beneficiaries coming into benefits in 1951 or after the passage of new legislation beneficiaries being in a slightly more preferred position than beneficiaries already retired.

Now, I do not think, Mr. Chairman, in view of the time, that I should burden the committee with further details, except perhaps to mention in passing that H.R. 6000 also breaks completely new ground in endeavouring to provide for the first time for total and partial disability benefits, but that is outside the old age insurance program *per se* and I should do no more than mention that.

By Mr. Knowles:

Q. I do think it would be interesting if it was given consideration for a minute or so to explain the nature of those benefits.—A. I would prefer to leave it because, frankly, I am not prepared in detail, but I can supply the information in a subsequent memorandum.

Q. That would perhaps be even better?—A. It is in many ways the most controversial feature of H.R. 6000.

Q. Is the proposal fairly substantial?—A. It is significant in terms of breaking new ground but the provisions limit pretty rigidly the application of the program.

Q. I presume it is still on the insurance principle?—A. Oh, yes, and they are starting off on a very limited basis, as I recall it, with no provision whatsoever for anything other than a primary benefit; no wife's benefits, no children's benefits, simply an initial venture into this field as an added part of their old age and survivor's insurance.

MR. KNOWLES: Under certain circumstances a person with a certain type of insurance coverage, becoming a permanent invalid or permanently disabled, would qualify for primary benefit at an earlier age?

THE WITNESS: That is right.

I think, Mr. Chairman, that I can sum up in a few more sentences. The significant thing to note now is that the United States administration is faced with a number of current factors: first of all the drive in terms of private pension plans; secondly the evident inadequacies of their existing program in terms of their own testimony—mainly in point of coverage and inadequacy of benefit; and thirdly, the steadily mounting load of old age assistance costs which they did not anticipate would be so great at this stage of the development of old age insurance.

Faced with those three considerations and with others, it is pretty clear, it seems to me, that a determined effort is being made now by the House of Representatives and the Senate to broaden, in every possible way that they

think safe, the coverage of the insurance program to embrace all those groups within the population that can, and in their opinion should be embraced.

It is the hope, and I think it is the expectation, that by these drastic improvements in the adequacy of benefits, by these drastic extensions of coverage they will be able to make the insurance system in the United States work as they had intended expected it to work when they first introduced it in 1935. I think all those considerations do point, in the United States experience, to the significance of their attempt to continue on an insurance basis a program which is as orthodox as this is in insurance terms, but which is now being modified in directions which tend towards universal coverage of the total population, and towards a basic minimum benefit. Both of these points, it seems to me, are implicit in the old age security approach rather than a fundamental part of the old age insurance approach.

In short, and my last point is this, I would say that it seems to me that the farther the United States goes along this line in the development of its old age insurance program, the more it finds it is departing from the orthodox actuarial insurance concept, with which it started, and moving in the direction of the old age security approach on the uniform benefit basis. That seems to be implicit in some of the changes that are now taking place in this United States program.

Mr. LAING: Mr. Chairman, I wonder whether Dr. Davidson would just comment on this question. If they had started, in the earlier stages with the universal average concept that they are now proposing, what would you suggest would be the difference in the position today?

The WITNESS: Well, had the program been started off on a universal basis, Mr. Laing, assuming that had been possible, I think it is clear that a larger number of persons would today be drawing some form of benefit but that would not have affected the adequacy of the benefits. It seems to me the result would have been to provide a larger number of small benefit payments at the present time. This would have meant in effect that the old age assistance program would have been providing supplemental assistance to a very much larger number of people rather than complete maintenance; but that would still not have improved the adequacy of the benefit itself.

The CHAIRMAN: We shall meet tomorrow morning in room 497.

The committee adjourned.

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**JOINT COMMITTEE OF THE SENATE
AND THE HOUSE OF COMMONS**

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 11

FRIDAY, MAY 5, 1950

WITNESS

**Mr. J. W. Willard, Director of Research, Department of National Health
and Welfare.**

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950



MINUTES OF PROCEEDINGS

FRIDAY, May 5th, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 11.00 a.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairman, were present. Mr. Lesage presided.

Also present:

The Senate: Honourable Senators Burke, Doone, Fallis, Farquhar, Fogo.

House of Commons: Ashbourne, Beyerstein, Blair, Brooks, Brown (*Essex West*), Corry, Cote, (*Verdun-La Salle*), Ferrie, Fleming, Knowles, Laing, Mac-Innis, Macnaughton, Shaw, Smith (*Queens-Shelburne*), Weaver, Welbourn.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare, and J. W. Willard, Director of Research, Department of National Health and Welfare.

Mr. Willard was called. He presented a brief on the Old Age Income Security Program in Great Britain.

The said brief was taken as read and appears in this day's Minutes of Evidence.

Mr. Willard was examined thereon, being assisted by Mrs. F. E. Hurst, Senior Research Assistant, Department of National Health and Welfare.

The witness being retired, the presiding Chairman laid on the table a copy of the correspondence exchanged with the Provincial Ministers of Welfare and of the Provincial representations received.

It was ordered that the said correspondence and representations be printed in Appendix to the Committee's Proceedings after the Committee has completed its study of the Old Age Income Security Program in Great Britain.

At 1.00 o'clock p.m. the Committee adjourned until Monday, May 8, at 4.00 p.m.

R. ARSENAULT,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

May 5, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 11.00 a.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. J. Lesage presided.

The CHAIRMAN: Order, gentlemen. Mr. Willard, the Research Director of the Department of Health and Welfare and Research Adviser to the Committee will be our witness in connection with the systems of old age security in Great Britain.

Mr. J. W. Willard, Research Director, Department of National Health and Welfare, recalled:

The WITNESS: Mr. Chairman, and members of the committee, I shall present this brief.

OLD AGE INCOME SECURITY PROGRAMS

GREAT BRITAIN

Memorandum No. 4, Social Security Series

RESEARCH DIVISION

DEPARTMENT OF NATIONAL HEALTH AND WELFARE

OTTAWA

MARCH, 1950

I. INTRODUCTION

Retirement pensions and assistance to the aged in Great Britain are important and costly sections of the network of social security as revised and extended in a series of Statutes from 1945 to 1949¹. The revised program combined into a unified plan the several complex schemes of insurance and assistance, including those for the aged, which had developed piecemeal since the beginning of the century, and extended to the entire population as of right, insurance benefits and services which were formerly limited to special insured classes. It introduced, also, the principles of uniform benefits and a fixed scale of flat-rate contributions or all, filled gaps in benefits and services and, finally, through the National Assistance Act, placed on the Central Government responsibility for the supporting programs of financial assistance which had rested heavily on local authorities under the Poor Law. The new legislation is the out-growth of half a century's

¹ The Family Allowances Act, 1945; the National Insurance (Industrial Injuries) Act, 1946; the National Insurance Act, 1946; the National Health Services Act, 1946; and the National Assistance Act, 1948.

development of social security in Britain and of years of practical experience in administering what was long recognized as one of the most comprehensive programs in existence.

Modern legislative provision for the aged began with The Old Age Pensions Act of 1908. This non-contributory program, under which pensions were payable at the age of 70 or over on the basis of a means test, was followed in 1925 by a second program, a contributory scheme under the Widows', Orphans', and Old Age Contributory Pensions Act¹. From 1928 to 1940 these programs were considerably extended and liberalized. The qualifying age for contributory pensions was reduced to 65 years; wives became eligible for pensions by virtue of their husbands' insurance; and voluntary protection was offered to various groups including, in 1937, people in the low income group working on their own account, and married women. In 1940, the pensionable age for women was reduced to 60 years and a scheme of supplementary pensions on a means test basis was introduced for needy pensioners. These measures were further developed and benefits substantially increased in the retirement and assistance provisions of the National Insurance and National Assistance Acts, which came into full operation in July, 1948.

Of all the income maintenance benefits within the social security program, protection for the aged is the heaviest burden on the working population. The number of people of retirement age and over (65 for men, 60 for women) in Great Britain has been estimated at 6,537,000 or about 13 per cent of the estimated total population of 48,992,000² as at June 30, 1949 and 19 per cent of the population 20 years of age and over; some two-thirds of those of pensionable age were women. The proportion of the aged to the total population is growing.³ These facts explain particular aspects of the program, such as the incentive provided for postponing retirement.

Even so, the cost of retirement pensions alone is expected to rise from an estimated £238 millions in 1948 to £501 millions in 1978.⁴

SUMMARY OF PROGRAMS FOR THE AGED

Monetary protection for the aged is two-fold; the basic contributory program of universal retirement pensions under the National Insurance Act; and supporting programs payable on the basis of need, administered by the National Assistance Board. The latter includes the following: (a) non-contributory pensions, a means test program which was retained as a temporary transitional measure for people who were of advance years when the retirement scheme came into force and for this reason cannot meet its contributory conditions; and (b) national assistance, the companion program to national insurance, available at need to those of any age over 16 years, including the aged, who fail to qualify for either a retirement or non-contributory pension or who, because of special circumstances, find either of the pension benefits inadequate to meet their minimum needs. As time goes on only a relatively small residue of the aged will need to be wholly maintained by assistance.

¹ See Appendix I for Historical Note on Old Age Pensions Legislation.

² Central Statistical Office. Monthly Digest of Statistics. No. 50, February, 1950.

³ The Royal Commission on Population reported that between 1871 and 1947 the proportion of people over 65 years in Britain rose from 4.8 per cent of the whole population to 10.4 per cent. They estimated an increase of people over 65 years to 7.3 millions in 1977 even if future mortality should remain at present levels. If the death rates continue to fall as they have for the past half century the number would rise by another million and if death rates on high ages should fall substantially the increase would be even greater.

⁴ Report by the Government Actuary, 1946.

Briefly, the retirement pension is one of a number of benefits to which a contributor to National Insurance is entitled. These are shown, together with other income maintenance programs in the chart following page 7. The retirement pension is payable at the rate of 26s. (\$4.00) ¹ a week, £67 12s. annually, for anyone who has reached the minimum pensionable age of 65 for men and 60 for women and who has retired from regular employment, provided that he or she has actually paid 156 weekly contributions at any time and has a yearly average of 50 weekly contributions paid or credited. An extra 16s. (\$2.46) a week, £41 12s. annually, is payable on behalf of the pensioner's wife and is paid to her direct if she has reached the age of 60. There is no means test, but if the pensioner has earnings from a gainful occupation while in receipt of the pension, his pension is reduced by 1s. (\$0.15) for every shilling he earns above 20s. (\$3.08) in any week. Persons who defer their retirement and pay further contributions after the pensionable age, become entitled to an increase of 1s. a week for every 25 contributions paid after the pensionable age until 70 for men and 65 for women, when the retirement condition ceases to operate and the pension is payable irrespective of any work which may be undertaken. In January, 1950, there were over 4 million persons receiving retirement pensions,² that is, about 63 per cent of the estimated population of pensionable age as at June 30, 1949.

Non-contributory pensions are payable on a means test basis up to a maximum of 26s. for a man or woman and 42s. for a married couple, provided the beneficiary has reached the age of 70 and can meet specified conditions of nationality, residence and need. At the end of 1948, over 453,000 of these pensions were in payment,³ covering about 14 per cent of the population 70 years of age and over as of June, 1949.

Under National Assistance, which requires only the most minimal qualifications, primarily need, an aged householder may receive a maximum of 24s. and a married couple 40s., together with an additional allowance for rent.⁴ Higher rates are payable to certain categories on the basis of health needs. Some five months after the program was introduced it was estimated, on the basis of a 5 per cent sample, that 490,900 or almost 12 per cent of the recipients of retirement pensions, and almost 82,980 or 18 per cent of the beneficiaries of non-contributory pensions, were also receiving supplementary aid under the National Assistance Act.

With the exception of non-contributory pensions, these schemes are so linked with the total provisions for insurance and assistance that they can be adequately understood only in terms of the legislation of which they form a part. National insurance will be examined first, then non-contributory pensions and, finally, national assistance, including brief mention of arrangements for accommodation.

¹ The current rate of exchange is 3.08 Canadian dollars for a pound sterling. This exchange rate is helpful in indicating what a cash benefit in Great Britain would provide if the benefit were paid to a beneficiary in Canada and is the only yardstick available for translating the cash benefit into Canadian terms. It does not, however, measure in Canadian terms the actual purchasing power of a British cash benefit expended in Great Britain. Such a comparison involves not only the amount of the cash benefit but also the relation of that benefit to price levels and consumption patterns. The rate of exchange on July 5, 1948, when the social security program came into full operation was 4.03 Canadian dollars for a pound sterling.

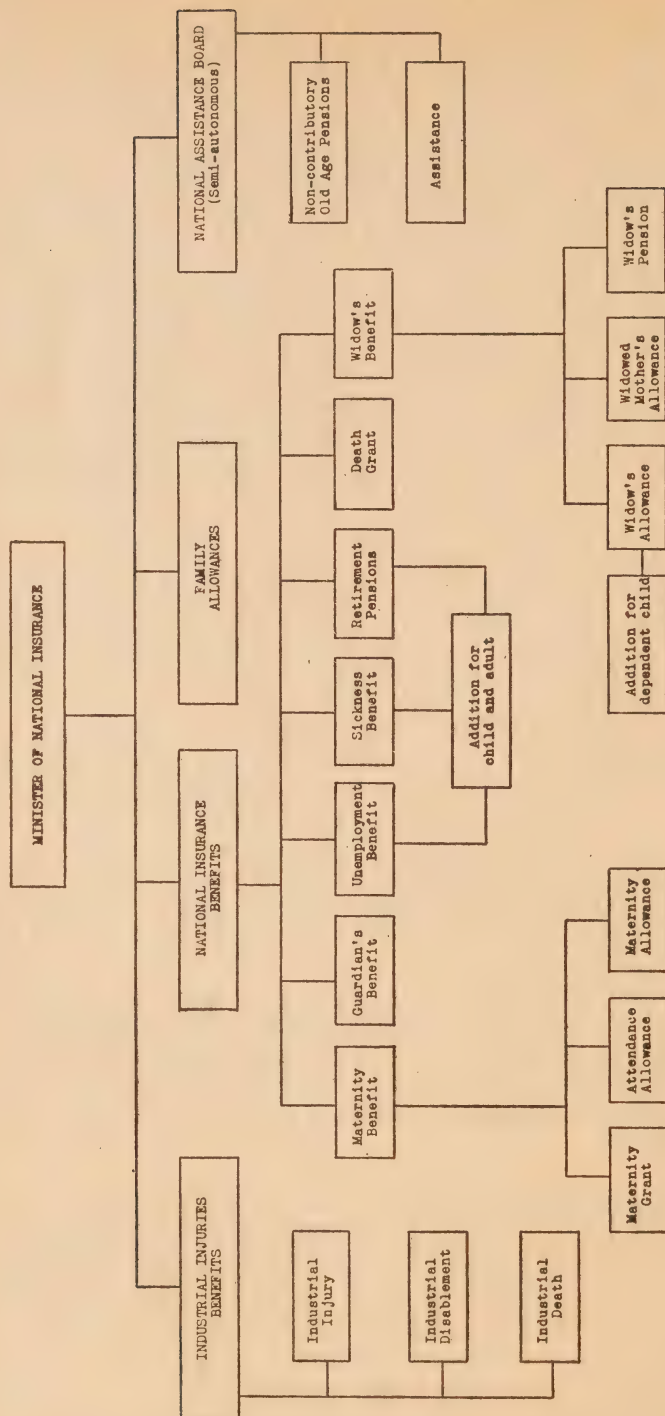
² Minister of National Insurance in House of Commons.

³ Including a small proportion of blind under 70.

⁴ The Minister of National Insurance recently announced a proposal to increase assistance rates to 26s. for a single man and woman and 43s. 6d. for a married couple.

SOCIAL SECURITY

CASH BENEFITS ADMINISTERED BY THE MINISTER OF NATIONAL INSURANCE



II. CONTRIBUTORY RETIREMENT PENSIONS UNDER NATIONAL INSURANCE COVERAGE AND CONTRIBUTIONS

The basic monetary benefits to meet needs resulting from interruption of earnings or other causes are provided through a system of universal compulsory insurance which includes, besides the retirement pensions, unemployment, sickness (cash), widows' and orphans' pensions, maternity grants and lump sum death grants. In addition to the normal benefit, certain increases may be obtained on behalf of a child or a single adult dependent. Entitlement to the full amount of any applicable benefit depends on the satisfaction of specified contribution conditions by the insured person.¹

Coverage

Every person over school-leaving age and under pensionable age, that is, from 16² to 65 for men and 60 for women, who is in Great Britain and fulfills certain residence conditions is insured under the Act and continues to be insured throughout life.

Residence. For those entering the country the residence qualification is a simple one: they are compulsorily insurable after residence for a continuous period of 26 weeks, but may choose to enter insurance before they have completed 26 weeks' residence. There are some exceptions to this general provision. People who take up employment before they have been in Great Britain 26 weeks, full-time students and unpaid apprentices under 18 years of age are compulsorily insurable from the date when their work or studies begin. There are a number of special arrangements regarding status and contributions of persons who go abroad under specified circumstances. Although benefits are not generally payable for any period during which the person concerned is absent from Great Britain, the right to receive retirement pension is unaffected by residence abroad if the entitled person is living within the British Empire.

Insurance Classes. For insurance purposes the entire population is divided into three broad classes:

Class I.—Employed persons. These are persons who are gainfully employed under a contract of service, that is, in employment where the employer has a right of direction and control in the performance of duties by the employee.

Class II.—Self-employed persons. These are persons who are gainfully occupied but are not employed persons. This class includes, among others of a similar type, employers themselves, whether as individuals or as members of a board of directors; professional people such as lawyers; doctors; authors; Members of Parliament; farmers; master builders or other craftsmen; and shopkeepers.

Class III.—Non-employed persons are those not gainfully employed. This class includes people living on income from investments, annuities or any other source not derived from personal labour.

Within this classification, special conditions apply to several groups of the population, e.g., married women who may elect whether or not they will contribute in various circumstances; members of the Armed Forces who are treated, with modifications, as employed persons; and persons with incomes not exceeding £104 a year, who may on application be excepted from liability to pay contributions.

¹ Except any increase of benefit payable on behalf of a child.

² School-leaving age 15 in England and Wales; 15-16 in Scotland. A boy or girl must secure an insurance card if he leaves school between 15 and 16 to take up work.

Contributions

Contributions are payable by the insured person; the employer in the case of those who are under contract of service; and lastly, the Exchequer, from which a supplementary contribution is required for each contribution of the employed person and the employer. These supplementary contributions are in addition to State grants towards the support of the program.¹

Insured persons make contributions according as they fall, week by week, into one of the three classes listed above. An employed person in required to pay contributions for any contribution week during any part of which he was employed; a self-employed person for any week during part of which he was self-employed and, similarly, a non-employed person during any week in which he was not at any time an employed or a self-employed person. Regulations provide that contributions up to a specified limit paid in any class may be treated as the equivalent of an appropriate number in another class.

Contributions are payable by all gainfully occupied persons who are between the school-leaving age and pensionable age. If retirement is deferred, the insured person's contribution is payable to an age not later than 70 for men and 65 for women, but the employer's contribution in respect of an employee must go on as long as the latter remains at work. Contributions by non-employed persons are normally payable only between the ages of 16 and 65 for men and 60 for women. Reduced contributions are payable for juveniles under the age of 18.

The rates of contribution vary for the three classes of insured persons and also, to some extent, in accordance with age, sex and rate of remuneration. Benefit rights vary somewhat with the contribution² but qualified persons in all classes are entitled to retirement benefit.

The main weekly contribution rates³ for insured persons and employers, including a percentage earmarked for the National Health Service⁴ are as follows:

	Employed person	Employer of employed person	Self- employed person	Non- employed person
	s. d.	s. d.	s. d.	s. d.
Men.....	4 7	3 10	6 2	4 8
Women.....	3 7	3 0	5 1	3 8
Boys under 18.....	2 8	2 3	3 7	2 9
Girls under 18.....	2 2	1 9	3 1	2 3

In the case of employed persons earning 30s. or less a week, the employer pays a larger share of the contribution, that is, 5s. 9d. for men and 4s. 5d. for women, the employed person paying correspondingly less.

An additional contribution of 4d. a week for men and 3d. a week for women is required from employed persons under the National Insurance (Industrial Injuries) Act, which brings the total insurance contributions collected from this class to 4s. 11d. and 3s. 10d. for men and women respectively. Boys and girls pay an additional 2½d. and 2d. respectively.

¹ Described in Chapter III Financing Contributory Benefits.

² Class I contributors are entitled to all benefits; Class II contributors to all except unemployment benefit; Class III contributors to all except unemployment and sickness benefits and maternity allowance.

³ The detailed rates are set out in the First Schedule of the National Insurance Act, and will be found in Appendix II of this memorandum.

⁴ The Health Service contributions are as follows: men over 18, 10d.; women over 18, 8d.; boys and girls under 18, 6d. Although the National Health Service is supported, in part, by insurance contributions, services are not conditioned on any insurance qualifications, they are available to everyone.

The rates for the Exchequer Supplement for each contribution are as follows:

	For employed person	For employer	For self- employed	For non- employed
	s. d.	s. d.	s. d.	s. d.
Men over 18.....	1 1	1 0	1 1	9
Women over 18.....	10	9	11	7
Boys under 18.....	7	7	7	5
Girls under 18.....	6	5	6	4

The main weekly contributions of insured persons and employer, the amount of the Exchequer supplement, and the contribution for industrial injuries are shown below:—

Classes of insured persons	Men 18 and over	Women 18 and over	Boys under 18	Girls under 18
	s. d.	s. d.	s. d.	s. d.
I. EMPLOYED PERSONS				
Total paid by insured person.....	4 11	3 10	2 10½	2 4
General.....	4 7	3 7	2 8	2 2
Industrial injury ¹	4	3	2½	2
Total paid by employer.....	4 2	3 3	2 5½	1 11
General.....	3 10	3 0	2 3	1 9
Industrial injury.....	4	3	2½	2
Exchequer supplement.....	2 1	1 7	1 2	11
II. SELF-EMPLOYED PERSONS				
Insured person.....	6 2	5 1	3 7	3 1
Exchequer supplement.....	1 1	11	7	6
III. NON-EMPLOYED PERSONS				
Insured person.....	4 8	3 8	2 9	2 3
Exchequer supplement.....	9	7	5	4

¹ The State contribution for industrial injury is a lump sum amounting to one-fifth of the total contributions of employer and employee.

In 1951 the contributions will be increased by 4d. a week for insured men and women, the addition being allocated equally between insured persons and employers in the case of employed persons. This higher permanent rate was provided for in the legislation to relieve the Exchequer of a part of the increasing burden of expenditure due almost entirely to the growth in the cost of retirement pensions. The increase for boys and girls under the age of 18 will be 2d.

Credited Contributions

The payment of contributions is not necessary under certain conditions: full time students and unpaid apprentices may be credited with contributions. Also, contributions are not payable during periods of unemployment or incapacity for work by reason of sickness or disability but are credited to the contribution record of the person concerned. An insured woman is credited with contributions for any weeks in which she receives an attendance allowance or a maternity allowance. Further, where injury benefit is payable under the National Insurance (Industrial Injuries) Act, the person receiving this benefit is credited with contributions under the National Insurance Act during his incapacity. These credited contributions count for some purposes in the same way as contributions actually paid but generally no benefit is payable unless

a prescribed number of contributions have actually been paid. Where credits are granted for a period during which income does not exceed £104 annually, they do not count for Retirement Pension.

Contributions do not fall due and are not credited during periods of imprisonment or detention in legal custody. The person imprisoned or detained may pay contributions as a non-employed person or, if he were previously self-employed, may pay contributions as a self-employed person.

Married Women

The special arrangements for married women are based on two main principles: first, that no married woman should be compelled to pay contributions; and second, that a woman should not, by marriage, forfeit any insurance rights already acquired if she wishes to retain them. Husband and wife are, therefore, generally treated as a team; that is, a wife may be excepted from paying contributions and be entitled to benefit by virtue of her husband's insurance. She may, on the other hand, elect to continue in insurance, and by paying contributions in the appropriate class qualify for benefits in her own right.¹ Regardless of her choice the employer of a married woman is required to pay his contribution on her behalf.

BENEFITS

Basis of Rates

One of the principles on which the program is based is the payment of uniform rates of benefit for the various main contingencies covered. For this reason, pensioners are now entitled to the same basic rates as the unemployed, whereas under the previous scheme the weekly rate of unemployment benefit was more than double the pension rate of 10s. The benefits are intended to provide a uniform subsistence minimum based broadly on the cost of living. In setting the rates, it was considered impracticable to fix a general level of benefit sufficiently high to meet variations in personal needs, since these differ with the individual and the area in which he lives.² Adjustments in case of need are therefore left to the assistance program. Similarly, the principle of automatic adjustment of the benefit rates to a definite cost of living was rejected as unfeasible. Instead, provision is made for a thorough-going review, every five years, of rates and amounts of benefit in terms of the circumstances of insured persons, and the expenditure necessary for the 'preservation of health and working capacity.'³

During 1949 considerable pressure was put on the Government by pension associations to increase the basic pension of 26s. to 30s. a week, with 50s. instead of 42s. for a man and wife, largely on the basis of the increased cost of living since 1946. This plea was rejected on the grounds that it would upset the principle of uniform benefits, would substantially increase the costs to the contributor, the employer, and the Government, would be premature prior to the analysis of the scheme as a whole in 1951, and also that generous assistance supplements were being paid.⁴

¹ There is no choice in the case of insurance against industrial injuries. An employed married woman is compulsorily insured under the Industrial Injuries Act.

² It was found, for example, that in the case of beneficiaries who received supplementary aid under the previous program that rents varied from 2s. 6d. to 20s. a week.

³ The first of these periodic studies is to be made in 1951 and will follow the actuarial review of the operations of the Insurance Act.

⁴ The average payment to supplement retirement and non-contributory pensions has been estimated at 9s. 3d. weekly.

Basic Pension

A retirement pension of 26s. weekly is payable for life to a man over 65 or a woman over 60 who has retired from regular employment and has met two contribution conditions: The insured person must have paid at least 156 (3 years') contributions between the last date of entry into insurance and the date of attaining pensionable age; and, at the date of reaching pensionable age, must have paid or credited a yearly average of not less than 50 weekly contributions.

Dependents

The basic weekly rate of pension may be increased by 7s. 6d. per week for a child under school-leaving age and 16s. per week for an adult dependent, defined as a wife under pensionable age whose earnings do not exceed 20s. weekly. Child includes anyone treated as a child for the purposes of the Family Allowances Act. If there is more than one child in the family the increase will apply only to one child, that is, the elder or eldest child under school-leaving age.¹

Wives of Pensioners

A woman who has reached 60 years of age and is the wife of an insured man is entitled to a retirement pension by virtue of his insurance, at the rate of 16s. per week if he has qualified for pension and both husband and wife have retired from regular employment. This 16s., which is the dependent's allowance while the wife is under pensionable age, is payable as a pension to herself when she is over 60. During the time that her husband continues in employment his wife is not eligible for pension. However, when he retires or reaches the age of 70, she receives her share of the pension and all the increments earned by his employment beyond pensionable age.

Self-Insured Wives. A woman who is married and is herself an insured person can, if qualified on reaching pensionable age, claim a retirement pension in her own right as an alternative to a pension by virtue of her husband's insurance. This might secure for her a higher rate of pension, depending on her average contributions, and would secure continued pension rights in the event of the death of her husband and her subsequent remarriage. She is not entitled to retirement pension by virtue of her own insurance if the number of contributions paid or credited to her between the date of her marriage and age 60 is less than one-half the total number of contribution weeks in that period.

Retirement Condition

An injured person is obliged to give notice of retirement from regular employment to qualify for pension. He is then treated as retired if he is in the non-employed class, or, if employed or self-employed, he does not work more than 12 hours a week or more than one-quarter of the normal working week in his particular occupation, whichever is more favourable to him. These conditions do not apply if he has reached the age of 70, or in the case of a woman, 65 years.

Effect of Earnings during Retirement

The introduction of a retirement condition for pension required some limitation of earnings after retirement. A pensioner under 70, or 65 years for a woman, may earn 20s. per week. Any earnings in excess of that sum are deducted from the amount of the retirement pension normally payable and, for this purpose, a retirement pension includes any increase for a child or an adult dependent. The weekly rate of pension is reduced by 1s. for each

¹ Family Allowances are payable for children after the first.

shilling earned in excess of 20s. Earnings for one week affect the pension in the following week, but no reduction for earnings is made for the first week after retirement. After the age of 70 for men and 65 for women, earnings do not affect the rate. When a husband claims a retirement pension in respect of his wife, the 16s. increase is payable, provided she is not engaged in any gainful occupation from which her weekly earnings exceed 20s.

The earnings taken into account are limited to net remuneration or profit from any gainful occupation or occupations. In so far as earnings consist of salaries or wages, no account is taken of reasonable expenses incurred by the person in respect of his employment, or of any sums for which deduction is authorized by Statute, e.g., social insurance contributions.

Effect of Low Average of Contributions

The full rates of benefit, but not the increase in respect of a child or the increments for deferment of pension, are subject to reduction on a sliding scale if the yearly contribution average does not reach the required minimum. The following table shows the reduced rates of pension payable when the yearly average of contributions paid or credited falls below 50:

Yearly average of contributions paid or credited	Retirement pension		Retirement pension in respect of a wife	
	s.	d.	s.	d.
50.....	Full weekly rate of benefit		Full weekly rate of benefit	
	26	0	16	0
	Reduced rate at which benefit is payable			
48-49.....	25	0	15	6
46-47.....	24	0	15	0
43-45.....	23	0	14	0
40-42.....	21	0	13	0
37-39.....	19	0	12	0
34-36.....	17	0	11	0
30-33.....	15	0	9	6
26-29.....	13	0	8	0
22-25.....	11	0	6	6
18-21.....	9	0	5	6
13-17.....	7	0	4	6
Under 13.....	Nil		Nil	

Source: The Widow's Benefit, Guardians' Allowances and Retirement Draft Regulations. Regulation 8(2).

Deferred Retirement

If an insured person, on reaching pensionable age, does not retire, but carries on with his ordinary work, his pension when he does retire is at a higher rate. ¹ It is increased by 1s. a week for every 25 contributions paid as an employed or self-employed person for five years after pensionable age, that is, between 65 and 70 for men and 60 and 65 for women.² The pension of a wife, payable on her husband's insurance, is increased in the same way for every 25 contributions he pays while both are over pensionable age. Contributions paid by the husband for any period when he is over 65 but while his wife is under 60 do not serve to increase the wife's pension.

¹ In view of the shortage of labour it was thought necessary to encourage the aged to stay at work whenever that is possible and desirable.

² The Royal Commission on Population considered this increment inadequate as an incentive but it is double the amount proposed in the Beveridge Report and in the White Paper of the Coalition Government.

If the basic retirement pension payable at 65 and 60 years is subject to reduction because the contributions' qualification has not been fully satisfied, this does not affect any increase which may be earned by the deferment of retirement and continued payment of contributions.

If the insured person does not retire and is still at work or in business on reaching the age of 70, or 65 for women, then the retirement pension is paid, with the added increment, without any restriction. No contributions are payable after these ages. The married man who works and contributes continuously up to age 70 with a wife of 65 or over, receives the top rate of 36s. a week for himself and 26s. a week for his wife for the remainder of their lives.

Other Benefits. Unemployment and sickness benefits are not normally payable to persons over pensionable age but if a person who has deferred retirement becomes unemployed, or falls sick, benefit is payable at a rate not higher than the normal rate of pension if he had retired. This is to his advantage because there is no reduction for earnings as would have been the case if a retirement pension had been paid. Where the insured person is a woman who is, or has been, married the rate of benefit is calculated by reference to any retirement pension which might have been payable on her own insurance.

Position of Late Age Entrants

A person who was not insured under the former contributory plan and who had reached retirement age when the new program came into operation is not included in the scheme. A person who last entered the previous pension scheme before September 30, 1946, and was then within five years of pensionable age cannot qualify for retirement pension for five years. Those who were within ten years of pensionable age on entering the previous scheme on or after September 30, 1946 cannot qualify for ten years.

Similarly, a person who was within ten years of pensionable age, that is, 55 in the case of a man or 50 in the case of a woman, and was not an existing contributor under the previous contributory scheme, cannot qualify for retirement pension for ten years. Such a person is not liable to pay a contribution as an employed or self-employed person after the normal pensionable age of 65 for men and 60 for women. If he is employed, his employer's contribution continues and counts for his retirement pension.¹ If he is self-employed he may pay contributions at the non-employed rate to maintain his contribution record while he is completing his ten years' qualifying period.

On reaching the age of 65, or 60 for a woman, but late age entrant may, however, elect not to qualify for retirement pension but to receive a fund of the retirement portion of the contributions he has already paid, together with interest. In this event, he would not pay any more contributions. Under various circumstances, it might be to his advantage to maintain his contribution record for the ten years, even up to 72 or 73 years of age; if for example, he has a younger wife who would be helped by the retirement pension or the death grant available to her by reason of her husband's insurance.

Claims for Benefits

Retirement pensions must be claimed within four months before the pension age if arrears of pension are not to be lost. Even if a person intends to go on working after retirement age he is expected to make this preliminary claim because sickness and unemployment benefit can only be paid after pension age to those whose right to pension when they retire has been proved. The preliminary claim also enables the pension to be paid promptly when notice of retirement is given later on.

¹ Also for widow's benefit and death grant.

Related Benefits

Widow's Benefits. If a pensioner dies, leaving a wife under pensionable age, three types of widow's benefits are available on the basis of the husband's insurance and on the same contribution conditions as a retirement pension. For the first thirteen weeks of widowhood a widow's allowance at 36s. a week is payable with an additional 7s. 6d. a week for one or more dependent children. This is followed by the widowed mother's allowance of 33s. 6d. a week, including 7s. 6d. for the first child if there are dependent children. When the children are no longer dependent, a widow's pension at 26s. a week is payable, if the widow is then over 40 years of age and not less than 10 years have elapsed since marriage. If there are no dependent children, the initial widow's allowance is followed by a widow's pension at 26s. a week providing the widow is over 50 and has been married for not less than ten years.

Death Grant. A death grant is payable for expenses incurred in connection with the death of an insured person or a member of his or her immediate family if 26 contributions have been paid or, under certain circumstances, credited, and a yearly average of 45 contributions paid or credited. The standard rate of the grant is £20 on the death of an adult over 18 years of age, scaling down to £6 for a child under the age of 3. If the full conditions have not been met, a reduced grant is payable.

Administration

The Minister of National Insurance is responsible for the administration of the National Insurance Act, the National Insurance (Industrial Injuries) Act and the Family Allowances Act. In addition, the semi-autonomous National Assistance Board, which administers the National Assistance Act, is responsible to this Minister and reports to Parliament through him. The Minister of National Insurance is thus responsible for the major income maintenance programs which have been outlined in the chart following page 7. These are all inter-related in various ways through statutory provisions and regulations.

National Insurance is the largest and most comprehensive of these programs. In guiding its operation the Minister has the assistance and advice of the National Insurance Advisory Committee, consisting of a chairman and eight members. Of these, three members must be appointed after consultation with organizations representing the various interested groups. One of the principal duties of the Committee is the consideration of regulations. The Minister is required to submit to the Committee a preliminary draft of any regulations which he proposes to issue. The Advisory Committee then examines and publishes the draft, giving opportunity for objections to be lodged by the people affected. Its recommendations must be submitted to Parliament along with the draft regulations, together with the reasons for rejecting any given recommendation.

A second type of advisory service is provided by the local advisory committees which are being set up throughout the country to advise on matters of local administration. The local committees also include representation of interested groups. Problems of general policy may be referred to the local Committees for consideration and they may bring to the notice of the Minister any special problems arising in any area.

Administrative offices include, besides the headquarter's office, a large Central Record Office which contains the life record of all insured persons and regional offices controlling a net-work of local offices through which the routine administration is carried on.

Contribution. Contributions are generally payable by means of insurance stamps which may be purchased through any Post Office. These are affixed to

individual insurance cards. It is the responsibility of every insured person to apply for the first insurance card; provision is made for renewal at the end of the current period without further application. Self-employed and non-employed insured persons retain and stamp their own cards. An employed person gives his card to his employer, who is primarily liable for payment of the employed person's contribution which is then recovered by deduction from wages or salary. While the card is in the custody of the employer, the worker must be allowed reasonable opportunity to inspect it.

Benefits. Claims for benefit are submitted initially to an insurance officer and, with certain exceptions, are paid through local offices. Retirement pensions are payable through Post Offices.

Benefit payments under the income maintenance programs may not overlap. Provision is made for disqualification or suspension of benefit during certain periods, such as defined absences from Great Britain and imprisonment or detention in legal custody. The benefit may be adjusted or suspended where a person is undergoing medical or other treatment as an in-patient in a hospital or similar institution.

Appeals. Appeal tribunals are set up in each local area. A local tribunal consists of three members, representative of employers, employed persons and other insured persons, who are drawn from panels appointed by the Minister for the whole of Great Britain, each panel functioning in one area. In a case where the claimant is a woman, at least one of the members of the tribunal, if practicable, is to be a woman.

The tribunals hear appeals against decisions given by insurance officers on all questions except those reserved for determination by the Minister or by the machinery of the Family Allowances Act. An appeal against a local tribunal's decision may be made at the instance of an insurance officer, a claimant or a trade union of which the claimant is a member. These appeals are heard by the Commissioner of National Insurance. Leave to appeal must be obtained from the tribunal, or where the tribunal's decision was unanimous, from the Commissioner. In the case of questions which the Minister must determine, there is right of appeal on a question of law to the High Court, or the Minister may himself refer the matter to the High Court for decision.

It is with the guidance of the regulations, supported by the growing body of interpretations of appeal tribunal and decisions of the High Court that consistency and integration are being achieved in this highly complex program.

III.—FINANCING CONTRIBUTORY BENEFITS

*Financial Structure*¹

The National Insurance Program is financed mainly by the contributions of employees and employers and moneys provided by Parliament. Part of the Exchequer share is in the form of a supplementary payment for each contribution of insured persons and employers. The remainder is an annual grant fixed on a rising scale until 1955 to meet the estimated liability not covered by the contribution. After 1955 the amount necessary for this purpose will be determined by Parliament.

¹ The estimates in this chapter, unless otherwise stated, are from the Report of the Government Actuary when the National Insurance Bill came before Parliament in 1946. These are the only available figures showing trends of expenditure and the relation of retirement costs to other costs. The first actuarial analysis of the operation of the program is scheduled for 1951.

National Insurance Funds¹

The financial structure of the National Insurance program is based on two major accounts, the National Insurance Fund, a current account, and the National Insurance (Reserve) Fund, a capital account. All contributions of insured persons, employers and the Exchequer are paid into the National Insurance Fund, together with interest on the Reserve Fund. Out of the Insurance Fund are paid all claims for benefits, administrative expenses, contributions of the National Health Service, and such surpluses as Treasury may approve from time to time for payment into the National Insurance (Reserve) Fund. The Reserve Fund was established with the transfer of all the capital assets of the thirteen separate accounts of the social insurance schemes which were superseded by the National Insurance program.² These included the various Pension Funds, the Health Insurance Funds, and the Unemployment Fund, the total assets of which amounted to approximately £611 millions in 1945. The income from the Reserve Fund is paid into the Insurance Fund, but capital transfers may only be made by resolution of the House of Commons. An initial capital transfer of £100 millions provided the working balance of the National Insurance Fund.

Although the two funds are under the Minister of National Insurance, a large part of the effective control rests with Treasury, which directs investment of the surpluses through the National Debt Commissioners and may, with Parliamentary approval, raise or lower contributions for the purpose of stabilizing employment. Preparation of accounts is also under the direction of Treasury and the periodic actuarial reviews of the operation of the program, required by Statute, are the responsibility of the Government Actuary. The important role of the Treasury seems to indicate an emphasis on the funds as an instrument of budgetary policy.

The Insurance program is financed on a pay-as-you-go basis from special and general taxation. The individual contributions are, in effect, a direct tax on all insured persons, and the employer contribution an indirect tax on employers. The Exchequer Supplement and most of the interest on the Reserve Fund is met out of general taxation; the interest being largely a transfer payment from the Central Government since most of the securities held are part of the National Debt. The rising costs of retirement pensions until 1978 are also to be borne by the Exchequer, not by the Reserve Fund.³ At the present time the chief function of the large and increasing surplus held in the Reserve Fund seems to be its earning capacity and its value as a credit item in the national accounts. Although the actuarial estimate of the income from the Reserve Fund is £21 millions annually (compound interest estimated at 2½ per cent) until 1978, it rose to £24 millions in 1948.⁴ If there should be a prolonged period of mass unemployment, capital from the Reserve Fund might be used to help subsidize consumption through reduced rates of contribution, but with an unemployment rate of 1·8⁵ in January, 1950, this does not seem an immediate issue; a rate of 8·5 was allowed in the actuarial estimates.

The total estimated contributions of both insured persons and employers, shown in Table 1, together with the interest on the Reserve Fund, bring into the Treasury upwards of £333 millions annually. With the already heavy income tax burden in Great Britain it would not be practicable to collect this large sum as taxes.⁶ Contributions, on the other hand, have become an accepted

¹ Not including the Industrial Injuries Fund, which is a separate account.

² See Appendix V.

³ Report of Government Actuary, 1946.

⁴ National Income and Expenditure of the United Kingdom 1946 to 1948. Cmd. 7649. April, 1949.

⁵ Number registered as unemployed expressed as a percentage of the estimated total of employees insured under the National Insurance schemes. *Monthly Digest of Statistics*, February, 1950.

⁶ The effect of taxes on income is shown in Appendices VI and VII.

tradition from long association with mutual benefit schemes and social insurance. Nevertheless, the flat rate contribution falls heavily upon both the employed and self-employed of low income. Its effect is modified somewhat by the lower contributions and exemptions allowed for low income, by the generous administrative provisions for crediting contributions under various circumstances, and by various adjustments as between benefits. The insurance contributions (including Industrial Injuries) of insured persons in Class I have been estimated at approximately 5 per cent of average weekly earnings¹, and the average employer's contribution has been estimated at something under 5 per cent of payroll.² No comparable estimate is available for the self-employed and the non-employed.

TABLE I
NATIONAL INSURANCE INCOME AND EXPENDITURE, 1948-1978³

	1948	1958	1968	1978
	£ millions			
Total estimated expenditure on benefits.....	452	545	678	749
Total estimated income.....	416	438	439	411
Interest on assets of National Insurance (Reserve) Fund...	21	21	21	21
Receipts from contributions {				
(Insured persons.....	175	189	189	176
Employers.....	138	145	146	136
Exchequer (a).....	82	83	83	78
Balance of expenditure, met from Exchequer (b).....	36	107	239	338
Total Exchequer, (a) + (b).....	118	190	322	416

AGE FACTOR IN THE ESTIMATES

In drawing up the actuarial estimates, an evaluation was made of the weekly contribution which the entrant at school leaving age would have to pay until pensionable age in order to provide on the average for the cost of benefits to which he and his dependents would become entitled. The estimated income from contributions was then measured in terms of annual expenditure on benefits and administration to show the amount which would have to be made up from the Exchequer. Although contributions from the initial age to retirement age were estimated to meet the full costs of benefits of people entering the scheme on school leaving age, the actual costs could not be met in this way, because people insured under earlier programs were to be brought into the scheme at the beginning, and new classes (self-employed and non-employed) were to enter at various ages, thereby increasing the costs, particularly of retirement pensions. This additional burden was placed on the Exchequer.

Deferred Retirement. In addition to the basic assumptions which had to be made in regard to the many statistical elements entering into the estimates, such as the composition and size of the future population, mortality and fertility rates, etc., consideration had also to be given to special facts affecting each part of the program. Allowance was made, for example, for the effect of the

¹ U.K. Information Office. Social Services Finance. June 1949.

² Social Security in Britain by Geoffrey May in *Public Welfare*. February, 1947.

³ Estimated on basis of the Bill. The Act as passed included an increase in contributions and expenditure on account of more liberal arrangements for the payment of sickness benefits to the self-employed.

option given to the employed and self-employed to qualify for larger pensions by deferring retirement. Although there were no data available on which to base an estimate on the incentive value of the increased pension for deferment of retirement, it was assumed on the basis of experience that 40 per cent of employed men and women would give up work immediately on reaching pension age, that a further 30 per cent would retire in the course of the following five years and that the balance would be at work when they reached the deferred retirement age of 70 for men and 65 for women.

The extent to which the cost of benefits to wives and widows should be paid for out of men's contributions also had to be determined. It was decided that a woman who was insured throughout her working lifetime would, in so far as practicable, pay only for her own retirement pension and would not contribute towards the general cost of wives' and widows' pensions. The contribution for insured men was correspondingly fixed so as to meet the cost of their own pensions, together with an additional amount to cover the cost to wives and widows over age 60 as would not be covered by other means.¹

EXPENDITURES

Expenditure on retirement pensions from 1948 to 1978 is expected to rise, as indicated in Table 2, from £238 millions to £501 millions. This is an increase of from 53 per cent of the total expenditure on National Insurance in 1948, to 67 per cent of the total in 1978.

TABLE 2
ESTIMATED EXPENDITURES ON NATIONAL INSURANCE

	1948	1958	1968	1978
		£ millions		
Benefits—				
Retirement pensions.....	238	301	421	501
Widows' benefits and guardians' allowances.....	22	35	42	40
Unemployment benefit.....	94	94	94	89
Sickness benefit.....	70	83	86	81
Maternity benefits.....	9	8	8	8
Death grant.....	1	6	9	12
Cost of administration.....	18	18	18	18
Total.....	452	545	678	749

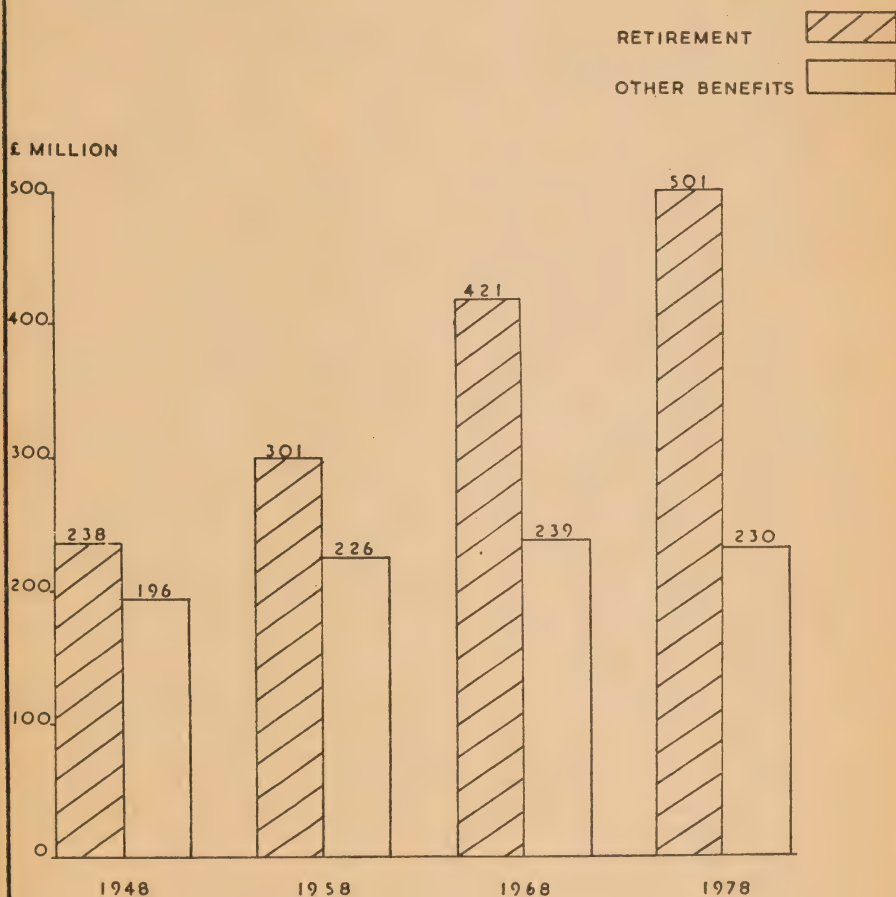
Expenditure in the first year is not strictly comparable with that of later years because it does not include the cost of pensions for persons brought into insurance for the first time, mainly self-employed and non-employed. In 1949, the actual cost of retirement pensions was £253 millions.²

Aside from retirement pensions the expenditure, as indicated in Table 2 and the chart following, remains fairly constant. Income from contributions of insured persons and employers takes a similar course. It is apparent that the steeply rising trend of the charge placed upon the taxpayer by National Insurance is determined almost entirely by the expenditure on retirement pensions which, after increasing to £501 millions in 1978, mature gradually over a very long period. It is this rise which explains the estimated increase in the Exchequer share of total expenditure over the 30 year period from £118 millions, or 26 per cent in 1948, to £416 millions, or 56 per cent in 1978.

¹ i.e. the pre-marriage contributions of insured women who marry and the contributions of employed married women and their employers. The whole cost of widowed mothers' allowances and of widows' pensions up to age 60 was placed upon the men's contributions.

² Ministry of National Insurance.

ESTIMATED EXPENDITURE ON RETIREMENT PENSIONS
COMPARED WITH TOTAL ON OTHER BENEFITS
UNDER NATIONAL INSURANCE ACT.



Cost to Government of Social Security Programs

The total estimated cost to the Exchequer of the major insurance and assistance programs, together with the National Health Service but excluding war pensions, is shown in the following table of National Services.¹

TABLE 3
NATIONAL SERVICES

Program	1949-50	1950-51	Increase or Decrease
	£000	£000	£000
National Health Service.....	244,560	374,354	+129,794
Contributions to National Insurance and Pensions Schemes:			
National Insurance Fund.....	141,000	145,625	+ 4,625
National Insurance (Industrial Injuries) Fund.....	6,000	6,000	—
National Assistance, etc.....	55,650	54,765	— 885
Old Age Pensions (non-contributory).....	27,675	25,150	— 2,525
Family Allowances.....	60,236	61,987	+ 1,751
Total.....	535,120	667,880	+132,760
Per cent of total ordinary expenditure.....	15.49	19.33	+ 3.84

IV. NON-CONTRIBUTORY OLD AGE PENSIONS

Non-contributory old age pensions, one of the two supporting programs which provide financial assistance to aged persons not eligible for retirement pensions, are payable to men and women who have reached 70 years of age and who meet certain qualifications of residence, citizenship and need. This program, authorized under the Old Age Pension Act, 1936,² is being continued as a transitional method of assisting persons who were in receipt of these pensions on July 5, 1948, and new applicants who qualify before October 1, 1961. Payment of these pensions will eventually be brought to an end under the terms of the National Insurance Act, by which persons may not qualify for non-contributory pensions unless they have reached 70 years of age by the prescribed date in 1961. At the end of the transitional period, assistance to the aged will be provided solely through the National Assistance program.

Non-contributory old age pensions were first introduced in 1908, when pensions of from 1 to 5s. weekly were granted on a means test basis to persons 70 years of age or over. The maximum rate of pension was increased in 1919 to 10s. weekly. There was no further change in rates until, in 1946, the maximum rate of non-contributory pensions was increased to conform with the new rates set for retirement pensions, that is 26s. weekly with 16s. weekly for married women living with their husbands.

Although the age qualification remained the same, the means test was considerably liberalized. The most important changes were the increase in maximum allowable resources from £49 17s. 6d., under the 1936 Act, to £89 5s. in 1946, the abolition of the household means test and the repeal, in 1948, of the provision disqualifying inmates of workhouses.

At the end of December, 1948, there were approximately 453,400³ non-contributory old age pensions in payment. This represents about 14 per cent

¹ Source: Financial Statement, 1950-51, as laid before the House by the Chancellor of the Exchequer, April 18, 1950, pp. 4, 9, 10, 12.

² As amended by the Blind Persons Act, 1938, the Pensions and Determination of Needs Act, 1943, the National Insurance Act, 1946, the National Insurance (non-contributory Old Age Pensions) Regulations, 1946 (a) and the National Assistance Act, 1948.

³ Including an unknown number of blind persons, many of whom were aged.

of the population 70 years of age and over as of June, 1949. Some 78 per cent of the men and 84 per cent of the single women and widows were receiving 26s. a week, and 88 per cent of the married women were receiving 16s. a week. The total cost to the Exchequer was £27,660,000.

Mention should perhaps be made here of the supplementary program through which additional aid is provided to pensioners who find either contributory or non-contributory pensions inadequate to meet their basic requirements. These supplements were first introduced in 1940 under the Old Age and Widows' Pension Act, and for the next six years, more than 50 per cent of the pensions were supplemented. When the higher basic rates came into effect in 1946, about 65 per cent of these pensioners no longer needed additional aid. The program of supplementary assistance was further liberalized when the various programs of assistance and welfare services were unified and extended under the National Assistance Act of 1948. In December of that year about 19 per cent of the recipients of non-contributory pensions were also receiving supplementary assistance.

Eligibility Conditions

Age, Nationality and Residence. A non-contributory old age pension is payable to a man or woman who has reached 70 years of age,¹ and who has been a British subject for at least 10 years. In addition, 12 years' residence in the United Kingdom after becoming 50 years of age is required of the natural born British subject; if the applicant is not British born, he must have had 20 years' previous residence. In determining residence for this purpose certain defined absences are considered as periods of residence. These are outlined in Appendix VIII.

Income and Property Qualifications. The full pension of 26s. weekly (£67 12s yearly) is payable to a single person or a married man whose yearly resources, after deducting allowable unearned means of up to £39, do not exceed £26 5s., earned and unearned. The total allowable annual resources, including full pension, are therefore £132 17s.

The means of each one of a married couple living together are taken to be one-half of their combined resources. Thus, the full pension of 42s. weekly, 26s. for the husband and 16s. for the wife (£109 4s. yearly), is payable to a married couple whose yearly resources, after deducting unearned means of up to £78 do not exceed £52 10s., earned and unearned. The total allowable yearly means, including full pension is £239 14s.

The total resources and allowable income with which full pension may be paid are shown below:

Status	Maximum yearly pension	Maximum allowable resources		Maximum annual income including full pension
		Initial exemption for unearned means	additional means	
	£ s.	£	£ s.	£ s.
Single person or married man.....	67 12	39	26 5	132 17
Married couple.....	109 4	78	52 10	239 14

¹ Non-contributory old age pensions are payable to needy blind persons 40 years of age or over. A blind person is defined as one so blind as to be unable to perform any work for which sight is essential.

The amount of non-contributory pension payable to a single person or married man is reduced in respect of all other resources over £26 5s. up to a maximum of £89 5s., after which no pension is payable. Similarly the pension for a married couple is reduced in respect of all other resources up to a maximum of £178 10s., beyond which no pension is granted. The rate of 26s. weekly, payable to a married woman on the death of her husband, is likewise reduced in accordance with her means.

The amounts by which the weekly pension is reduced on account of resources within these limits are indicated by the following sample pension rates. The reduced rates are shown in detail in Appendix IX.

Yearly means not exceeding				Weekly rate of pension			
Single person		Married couple		Single person		Married couple	
£	s.	£	s.	s.		s.	
26	5	52	10	26		42	
42	0	84	0	20		36	
52	10	105	0	16		32	
68	5	136	10	10		10	
89	5	178	10	2		4	

Although this reduction is made in all non-contributory pensions where the resources of the applicant exceed the prescribed amount, additional aid may be granted under the more liberal needs test of the National Assistance program.

Calculation of Means. In calculating means to determine eligibility for pension, the total value of means from the following sources is included: income in cash, including voluntary allowances; the yearly value of property owned and occupied; the value of free board or lodging; and the yearly value of investments or other property which is not being used by the applicant himself.

In determining the yearly value of the property or investment, the first £25 is disregarded; the value of the next £375 is calculated at 5 per cent and the value of any amount in excess of £400 at 10 per cent. In the case of a married couple, these amounts are doubled, the first £50 is disregarded, the value of the next £750 is calculated at 5 per cent, and the value of any amount in excess of £800 at 10 per cent.

Certain means are disregarded: the value of any furniture or personal effects belonging to the applicant, any sickness benefits received during a period of not more than three months in any year, and any assistance grant under the National Assistance program. Where a husband is separated from his wife any sum he pays towards her support under a separation order is deducted from his means.

Adjustment of Pension when Maintenance is Provided

The value of maintenance in a hospital, or similar institution under the National Health Service is disregarded in calculating means, but the pension is adjusted so that it does not exceed 5s. weekly while the pensioner is being maintained free of charge. This reduction becomes effective as soon as a single person is admitted to hospital; it does not ordinarily take effect until a married pensioner has been in the hospital for eight weeks. At the end of 1948, about 9,000 pensioners were receiving this 5s. payment. If the pensioner has commitments outside the hospital, rent for example, this amount may be supplemented by an assistance grant.

The value of accommodation provided through Local Authorities under the National Assistance Act ¹ is also disregarded, but the pension is not reduced

¹ See Chapter V. Assistance to the Aged under National Assistance.

as it is if the pensioner is in hospital. He receives the same pension as if he were living in his own home; out of this he pays the minimum charge of 21s. towards his maintenance. During the last six months of 1948, about 8,000 new non-contributory pensions were granted to persons living in this type of accommodation.

Administration and Finance

The administration of the non-contributory old age pensions program was transferred, in 1947, from the Customs and Excise Department to the former Assistance Board which was superseded, in 1948, by the National Assistance Board. Since both non-contributory old age pensions and national assistance are administered by the same Board administration and finance are discussed under National Assistance.

V. ASSISTANCE TO THE AGED UNDER NATIONAL ASSISTANCE

Financial aid to meet cases of need which lie beyond the scope of social insurance is provided by the National Assistance program, which complements National Insurance. It was designed to provide basic maintenance for persons who, for one reason or another, fail to qualify for insurance benefits and to supplement those benefits under special circumstances. As the insurance program matures, the major role of assistance will be the provision of supplementary aid to meet unusual expenses which insurance benefits are not expected to cover.

The keynote of the program is flexibility. Operating on the basis of a generous needs test, it provides assistance, at both ordinary and special rates, rental allowances, adjustments upwards in special circumstances, and single emergency grants. An important provision allows for assistance payments in cases of urgent need without preliminary investigation of resources.

Introduced in 1948, the National Assistance program replaced with a unified service the various schemes of financial assistance previously administered by the Central Government and the Local Authorities. These included: supplementary pensions, out-door relief under the Poor Law, blind domiciliary assistance, unemployment assistance, and tuberculosis treatment allowances.

Although National Assistance is for all needy persons 16 years of age and over, the greater number of beneficiaries are people of advanced years. From the commencement of the program to the end of December 1948, the number of assistance allowances rose from 803,000 to over a million. About 35 per cent of this increase was to supplement either retirement or non-contributory old age pensions. A five per cent sample survey¹ of a total of 963,460 assistance recipients showed that after taking into account wives and other dependents, mainly children under 16, the total number of persons receiving aid from the National Assistance Board was nearly a million and a half. Two thirds of the women were over 60 years of age and nearly the same proportion of men were over 65 years. Only 9 per cent of the men and 8.6 per cent of the women were under 35 years. The available figures do not show how many of the assistance recipients receiving total maintenance were over 60 years of age.

Rates of Assistance and the Needs Test

Assistance to needy persons is normally given through weekly grants in money although, under special circumstances, the whole or part of the assistance may be granted in kind.² The amount of assistance payable depends on the

¹ Conducted in November, 1948, five months after National Assistance was introduced. Findings are reported in the Annual Report of the National Assistance Board, 1948. Pp. 41-47.

² Assistance does not include any services provided by the National Health Service.

deficit between the applicant's resources and his estimated needs. This is generally determined by deducting his resources from his requirements as calculated according to a scale of assistance rates, and adding a reasonable sum for rent. The rates are based on the amounts considered necessary to maintain a minimum standard of living for the applicant and his dependents.

There are two scales of assistance:¹ one for all ordinary assistance payments, and a higher special scale for blind persons and persons suffering from tuberculosis of the respiratory system. An aged person may benefit from either one, the actual amount depending on his circumstances and the number of his dependents. The ordinary and special rates are shown below.

WEEKLY ASSISTANCE RATES

(exclusive of allowance for rent)²

Category	Ordinary		Special	
	s.	d.	s.	d.
Married couple.....	40	0	55	0*
Single householder.....	24	0	39	0
Other persons:—				
Aged 21 or over.....	20	0	39	0
Aged 18–21.....	17	6	30	9
Aged 16–18.....	15	0	25	0
Aged 11–16.....	10	6	10	6
Aged 5–11.....	9	0	9	0
Aged under 5.....	7	6	7	6

* 65s. when both husband and wife are in the special classes.

According to the ordinary scale, the maximum amount of assistance, exclusive of rent, available to aged persons is 40s. for a married couple, 24s. for a single householder and 20s. for a single person. The special scale provides an additional 15s. for a married couple one of whom is blind or tuberculous and 25s. if both need special care; a single adult person receives an extra 15s. and, in addition, is granted the benefit of the householder's rate even though he may be living in the home of a relative.

Increases for dependents are ordinarily granted only in respect of a spouse or dependent children under 16 years of age. Other members of an applicant's household, who are 16 years or over, are ordinarily expected to apply for an independent grant. There are, however, exceptions to this general rule; in certain cases, mental deficiency for example, a person other than a spouse or dependent child may be treated as a dependent of some other person. The total amount of assistance granted is then the same as it would have been had the applications been made separately.

Calculation of Resources. In calculating the resources of a single person, only his own resources are taken into account; the resources of any other members of his household are not considered as available for his support. When an applicant has dependents, his resources and those of his dependents are calculated

¹ The system of differential rates for men and women and for rural and urban areas was tried out but was discarded as impracticable in 1941.

² The Minister of National Insurance recently announced proposed increases in the rates for National Assistance. About 1,200,000 people will benefit from these increases by which the rates for single men and women will be 26s. weekly and for married couples 43s. 6d. weekly. The increase in expenditure will be approximately £10,000,000 annually.

jointly.¹ That is, only the resources of the group to be assisted are considered in determining their need.²

If the applicant is a householder, his resources are assumed to include contributions which non-dependent members of the household are expected to make towards rent and common expenses, such as the cost of fuel, light and cleaning materials. The standard rate of contribution assumed for this purpose is 7s. weekly. In some circumstances a reduced rate may be assumed, provided that the contribution of a single person whose resources consist solely of earnings of less than 70s per week, is not taken to be more than the following amounts:

Weekly Earnings	Assumed Contribution
45s. to 70s.	5s.
25s. to 45s.	2s. 6d.
less than 25s.	none

In assessing resources, the value of retirement benefits, non-contributory old age pensions and, where applicable, family allowances are taken into full account. Persons who have been excused from registration for employment because they are old or disabled are allowed to retain the benefit of the first 20s weekly of earnings. As in the case of retirement pensions, this is done as an incentive to part-time work. Provision is also made for the deduction of reasonable expenses incurred in connection with employment and of any sum, the deduction of which is authorized by statute.

War savings up to £375, or £750 in the case of a married couple, are disregarded.³ Death grants, maternity grants, and the value of an owner occupied house are disregarded. The value of capital up to £50 is also disregarded, but where the total value of capital is between £50 and £400, the amount of assistance payable is reduced by 6d. for each completed £25 after the first £50⁴. In general, assistance is not payable to persons with unprotected capital of more than £400, but the Board may make special provisions where the capital is not liquid or has been set aside for some special purpose.

Income from certain other defined sources, not exceeding a total of £1 weekly, is not taken into account; details are set out in Appendix II. The value of resources not specifically mentioned in the Act or Regulations is included in whole or part, according to individual circumstances; applicants are ordinarily allowed to retain the benefit of the first 10s. 6d. weekly for payments from voluntary or charitable sources.

¹ A man or woman is liable to maintain his or her spouse and children under 16 years and the National Assistance Board, may apply for a Court Order for support, if necessary.

² This principle was laid down under the Determination of Needs Act, 1941, although there were some exceptions to its application. Under the present Act, it is unnecessary for the Board to enquire into the resources of self-supporting members of an applicant's household unless there is some question as to the appropriate contribution towards overhead expenses. This provision is to the advantage of single aged persons, some of whom were previously refused assistance because they were living with self-supporting children.

³ The definition of War Savings is broadly any sums loaned to the Government after September 3, 1939, which actually represent new savings, as distinct from the conversion of other capital assets.

⁴ This is not an estimate of the amount which capital may reasonably be expected to earn, but if the capital amounts to £400 the sum taken into account is 7s. a week, or £18 4s. yearly, which is about £8 4s. more than it would earn if invested at 2½ per cent.

Allowance for Rent

In setting the allowances for rent, consideration was given to two factors: First, the variations in rental levels from one part of the country to another and among families of the same size living in the same general locality; and, second, the fact that expenditure on rent cannot be reduced during periods when earnings are temporarily interrupted. For these reasons, the additional allowance for rent is not a flat amount but is determined on the basis of what is reasonable in each individual case. Ordinarily, if an applicant, or the wife or husband of an applicant, is a householder or is living alone and is responsible for rent¹, the amount granted is the net rent payable, or such part of it as is reasonable in terms of the general levels of rent in the locality in which he lives. Where the applicant is a member of another person's household and is over 18 years of age, he is generally allowed a share of the rent; the minimum addition for this purpose is 2s. 6d. and the maximum 10s. a week.

Survey Findings on Rent. The 5 per cent sample survey, indicated that the additional allowance for rent covered the whole of the net rent in 87 per cent of the cases where the applicant was responsible for it.² In the remaining 13 per cent where the applicants were left to pay some part of the rent, the average rental exceeded the allowance by only 2s.8d. a week. In nearly half of these cases, self-supporting persons were members of the household. Where the applicants were not directly responsible for rent the average addition was 4s.6d. a week, although in 7.5 per cent of these cases no addition was necessary, usually because rent had been included in an allowance to someone else in the household.

The considerable variation in rental amounts is indicated by the range of average payments shown below:

Category Assisted	Range of Payments	Great Britain
		Per cent
Persons living alone.....	8s. and under.....	47.3
	8s. 1d. to 10s.....	24.5
	10s. 1d. to 12s.....	13.5
	Over 12s.....	14.7
Householders with dependents.....	10s. and under.....	52.5
	10s. 1d. to 12s.....	17.1
	12s. 1d. to 14s.....	11.0
	Over 14s.....	19.4
Householders with non-dependents.....	12s. and under.....	58.0
	12s. 1d. to 14s.....	13.2
	14s. 1d. to 16s.....	9.6
	Over 16s.....	19.2

Upward Adjustment of Assistance Rates

The amount of assistance an applicant would ordinarily receive according to the scale may be increased under special circumstances. This discretionary power is considered of basic importance to the assistance program and, during 1948, additions to the normal rate were made in more than a quarter of a million cases, at a cost to the Exchequer of nearly £2.9 millions. The main items

¹ Rent is defined as the weekly rent or a proportion of the rent appropriate to one week. In the case of a householder, it is defined as the weekly proportion of expenses, such as, taxes, necessary expenditures on repairs or insurance, and any sum attributable to interest on a mortgage on the house in which he lives. Net rent is the rent less any proceeds from sub-letting a part of the premises.

² *Ibid.*

for which additions were made during the first six months were laundry, other domestic assistance, special diets and extra fuel. The average increase was 3s.3d. weekly.

Single Grants

Assistance grants, in the form of single payments, may also be made to meet exceptional needs which are unlikely to recur. Although single grants account for a comparatively small part of the total expenditure, they are more numerous and administratively more troublesome than the applications for continuing weekly allowances.

Range of Assistance Payments

The wide range of assistance payments, as reported in the sample survey, shows the variations in individual circumstances, as well as the way in which assistance payments are geared to individual need. The average assistance payment for all recipients was 15s.4d weekly; 47.2 per cent received up to 10s. weekly and 4.5 per cent received over 40s. a week. The average payment to the largest group of persons, those who were receiving assistance to supplement retirement or non-contributory pensions, was 9s.3d. a week. Payment on the special scale¹ averaged 22s.3d. weekly to blind persons, a lower figure than the Board had anticipated, because most of the recipients were elderly and had few dependents.

Aged Living in Residential Accommodation

Assistance Allowance. The weekly assistance payment to persons living in homes or hostels provided through Local Authorities is an amount sufficient to raise their resources to 26s. weekly. If no part of this sum is available from other sources, such as retirement or non-contributory pensions, the assistance allowance is the full 26s. to enable the recipient to pay the minimum charge of 21s. a week for maintenance and to retain the prescribed 5s. for personal use. During the first six months of the program, some 20,000 persons were granted assistance for this purpose.

Provision of Accommodation. Although not directly an income maintenance program, the provision of residential accommodation is an important statutory responsibility placed on the Local Authorities by the National Assistance act.² This accommodation is not for persons who are ill and require hospitalization, but is for other elderly, infirm or disabled people who are unable to lead a normal life in private quarters. As indicated above, they are required to pay for their accommodation, if not at regular rates, at least at the minimum rate of 21s. weekly and it is particularly from this low charge that needy old people benefit. The National Assistance Board is ordinarily not concerned except to ensure that each person has enough money to pay the required charge and still have 5s. weekly for himself. The Board has power, however, to order a Local Authority to provide temporary accommodation in cases of urgent need.

Other Services for the Aged

The importance to old people of the mobile canteen services and the recreation clubs sponsored by voluntary organizations was also recognized in the National Assistance Act. Although the Local Authorities have no power

¹ See weekly assistance rates, p. 47.

² The program is supervised by the Department of Health (Secretary of State for Scotland) and is financed through local taxes and charges for maintenance and by Government grants towards construction.

to establish these services, they may contribute to the funds of any organization which provides meals for old people in their own homes or makes recreational facilities available to them.

VI. FINANCE AND ADMINISTRATION OF ASSISTANCE PROGRAMS

Finance and Assistance

The total cost of both non-contributory old age pensions and National Assistance is paid from funds appropriated by Parliament for the purpose. It thus represents a direct burden on the taxpayer. The total estimated expenditure for 1949-50 on all forms of assistance, including the cost of administration¹, was £87·4 millions. This expenditure includes not only the general assistance programs outlined in this memorandum, but other special assistance such as re-establishment and reception centres² and Polish resettlement. The increase of £18·9 millions over the estimated total expenditure for the previous year is readily accounted for by the increased rates and more liberal needs test introduced under National Assistance, the wide publicity given to the new program, and by the fact that 1948-49 was a transitional year.

However, the estimated total expenditure of £27·4 millions for non-contributory old age pensions in 1949-50 shows a decrease of almost £3 millions and would seem to be the beginning of a gradual reduction in expenditure on this program. The Government Actuary estimates that with the gradual transfer of a large part of the cost of non-contributory pensions to retirement pensions the expenditure on non-contributory pensions will only be £1 million in 1978³, and will finally be discontinued.

Aside from the costs of non-contributory pensions, figures are not available to show the proportion of assistance expenditures spent solely on aid to the aged. On the basis of estimates prepared by the Government Actuary two years before the new Act was passed in 1948, the total expenditure on assistance, including non-contributory pensions, would decrease from £53 millions in 1958 to £36 millions in 1978. A slight increase of £1 million is shown for supplementary aid other than unemployment assistance.

Administration

The administration of both non-contributory old age pensions and National Assistance is the responsibility of the National Assistance Board, which reports annually to Parliament through the Minister of National Insurance. The Board, in addition to its general supervisory functions, is required to prepare draft regulations for the consideration and approval of the Minister and Parliament, and to perform any other related duties which may be assigned. The Board is composed of a chairman, deputy chairman and one to four members appointed by the Crown, at least one of whom must be a woman.

The administration is decentralized through local offices established throughout the country. Local officers receive applications for assistance, determine eligibility, decide on the nature and extent of assistance to be granted in each case and provide counselling service when necessary. Since the Board is required to meet urgent need whenever it arises, the services of the Board are not restricted to ordinary office hours. In some cases, such as thinly populated areas, special arrangements are made giving officers of other Departments or Local Authorities responsibility for certain duties.

¹ The estimated cost of administration of all assistance programs was a little over £4 millions. The proportion of administrative costs of assistance to the aged, to this total, is not available.

² For people without a settled way of living.

³ Source: Report by Government Actuary, 1946. Page 12.

Advisory Committees. The Board is assisted in its work by Advisory Committees of persons with knowledge of local affairs and experience in matters relating to the duties of the Board. Main committees for wide areas advise on general policy and sub-committees attached to area offices assist with difficult individual cases. Members of the former advisory committees for unemployment assistance, persons associated with the work of the former Local Pension Committees and representatives of Local Authorities form the nucleus of the National Assistance Advisory Committees.

Method of Application and Payment. Applications for assistance are made on short, simple forms obtainable at local Post Offices and offices of the Board. The completed forms are submitted to the Board, together with any other required information. Payments are normally made weekly, in advance, through books of orders which may be cashed at any Post Office. Orders for goods or services are issued when payment is made in kind. The Board may, if written application is made, appoint a person to act for an applicant or recipient of either form of assistance, if he is otherwise unable to act for himself and none has previously been appointed to act for him.

Appeals. If an applicant or recipient of aid is dissatisfied with a decision of the Board regarding eligibility, amount of assistance, payment in kind, and so forth, he may appeal the decision in writing to the National Assistance Appeal Tribunal in his district. Similarly, Local Authority may appeal an order of the Board requiring them to provide temporary accommodation for persons not ordinarily resident in their districts. All decisions of an Appeal Tribunal are final.

The Chairman and one member of each Tribunal are appointed by the Minister of National Insurance; the other members are appointed by the Board from a panel of persons nominated by the Minister to represent the working group.

APPENDIX I

HISTORICAL NOTE ON OLD AGE PENSIONS LEGISLATION ¹

The first real departure from the Poor Law occurred with the passing of the Old Age Pensions Act, 1908. There had been considerable agitation in favour of old age pensions since the latter part of the nineteenth century. A Royal Commission on the Aged Poor had reported on the question in 1895, but had concluded that no fundamental change was needed in the existing system of Poor Relief. In 1896 the Treasury appointed a Committee on Old Age Pensions, whose report was followed by a Select Committee in 1899 and a Departmental Committee in 1900. Finally, in 1908, an Act to provide for Old Age Pensions was passed. It is noticeable that the scheme was not financed by compulsory contributions and the main effect was to enable people to receive a pension of 1s. to 5s. a week on reaching the age of 70, subject to a means test, but not subject to the stigma of poor relief, nor was destitution made a condition. By the end of March 1909 some 500,000 aged persons were receiving these new pensions.

The Widows', Orphans', and Old Age Contributory Pensions Act of 1925 provided, as from 4th January 1926, weekly pensions of 10s. (with allowances for young children) for the widows of insured men dying on or after that date, while in the case of motherless children, orphans' pensions at the rate 7s. 6d. became payable to their guardians. Six months later old age pensions, free of means test, were granted to all persons then over 70, or who reached that age between 2nd July, 1926 and 2nd January, 1928—if, before their seventieth birthday, they had been insured under the Health Insurance Scheme. As from this later date (2nd January, 1928) pensions began to be paid to insured persons then of the ages of from 65 to 70, each insured person receiving a pension of 10s. a week on reaching 65. The wife of an insured man was entitled to a pension by reason of her husband's insurance when she, or her husband, if younger, reached the age of 65.

Rates of contribution were: for a man 6½d. a week each from the man and his employer; for a woman, 3½d. from the woman and 5d. from her employer.

The Pensions Act of 1929 widely extended the field of widows' pensions by granting pensions at 55 to the widows of men of insurable status who had died before 4th January, 1926. The pension began to be paid in general from 1st January, 1931, but widows who were already over the age of 60 on 1st July, 1930, or who reached that age between these two dates, were given their pensions on the earlier date, or the 60th birthday (if later).

In 1937 the benefits of voluntary insurance for widows', orphans' and old age pensions were extended to persons with small incomes, whether working on their own account or not, who had not the qualifications of insurable employment essential to insurance under the main scheme. Previously the opportunity to become a voluntary contributor was, in general, confined to persons who had been insured under the compulsory scheme. The 1937 Act also broke the interlocking of Health and Pensions Insurance, so far as voluntary contributors were concerned, allowing such persons to select the insurance most suited to their needs. In so doing, the Act for the first time enabled married women to become voluntary contributors for pensions.

The Old Age Pensions Act of 1940 reduced the pensionable age for insured women and the wives of insured men from 65 to 60, entitling over a quarter of a million more women to the benefits of the scheme. This Act also provided

¹ Excerpts from Social Insurance in Britain. Supplement to Home Affairs Survey, Reference Division, Central Office of Information, London. December 31, 1948.

for the payment of Supplementary Pensions to old age pensioners. The whole cost of these supplementary pensions was borne by the State and they were paid by the Assistance Board. The amount of the supplementary pension depended on need, but a man and wife were normally entitled to a joint pension of 35s. a week (plus rent, including the basic pension of 10s. each). This Act removed about 250,000 cases from Public Assistance, though the number of pensioners who applied for and obtained a supplementary pension was much greater. The Determination of Needs Act, 1941, put supplementary pensions, like unemployment assistance, on a personal means test basis. In 1943, widow pensioners with children also became eligible for supplementary pensions.

APPENDIX II

NATIONAL INSURANCE ACT, 1946

FIRST SCHEDULE CONTRIBUTION RATES

PART I

EMPLOYED PERSONS

Description of employed person	Weekly Rate of Contribution	
	Initial rate	Permanent rate
	s. d.	s. d.
Men between the ages of 18 and 70 (not including men over the age of 65 who have retired from regular employment)—		
Earning remuneration at a weekly rate exceeding 30s.....	4 7	4 9
Earning remuneration at a weekly rate of 30s. or less.....	2 8	2 9
Women between the ages of 18 and 65 (not including women over the age of 60 who have retired from regular employment)—		
Earning remuneration at a weekly rate exceeding 30s.....	3 7	3 9
Earning remuneration at a weekly rate of 30s. or less.....	2 2	2 3
Boys under the age of 18.....	2 8	2 9
Girls under the age of 18.....	2 2	2 3

For the purpose of this and Part II of this Schedule a person shall be deemed to be earning remuneration at a weekly rate of thirty shillings or less if, but only if, his remuneration does not include the provision of board and lodging by the employer and the rate of the remuneration does not exceed thirty shillings a week, and to be earning remuneration at a weekly rate exceeding thirty shillings in any other case.

PART II

EMPLOYERS

Description of employed person	Weekly Rate of Contribution	
	Initial rate	Permanent rate
	s. d.	s. d.
Men over the age of 18—		
Earning remuneration at a weekly rate exceeding 30s. or not being liable to pay a contribution as an employed person.....	3 10	4 0
Earning remuneration at a weekly rate of 30s. or less and being liable to pay a contribution as an employed person.....	5 9	6 0
Women over the age of 18—		
Earning remuneration at a weekly rate exceeding 30s. or not being liable to pay a contribution as an employed person.....	3 0	3 2
Earning remuneration at a weekly rate of 30s. or less and being liable to pay a contribution as an employed person.....	4 5	4 8
Boys under the age of 18.....	2 3	2 4
Girls under the age of 18.....	1 9	1 10

For the purpose of this Part of this Schedule a person over pensionable age, not being an insured person, shall be treated as an employed person if he would be an insured person were he under pensionable age and would be an employed person were he an insured person.

PART III

SELF-EMPLOYED PERSONS

Description of self-employed person	Weekly Rate of Contribution	
	Initial rate	Permanent rate
	s. d.	s. d.
Men between the ages of 18 and 70 (not including men over the age of 65 who have retired from regular employment).....	6 2	6 6
Women between the ages of 18 and 65 (not including women over the age of 60 who have retired from regular employment).....	5 1	5 5
Boys under the age of 18.....	3 7	3 9
Girls under the age of 18.....	3 1	3 3

PART IV

NON-EMPLOYED PERSONS

Description of non-employed person	Weekly Rate of Contribution	
	Initial rate	Permanent rate
	s. d.	s. d.
Men between the ages of 18 and 65.....	4 8	5 0
Women between the ages of 18 and 60.....	3 8	4 0
Boys under the age of 18.....	2 9	2 11
Girls under the age of 18.....	2 3	2 5

PART V

EXCHEQUER SUPPLEMENT

Description of persons by or in respect of whom contribution is paid	Amount of supplement			
	For contribution as employed person	For employer's contribution	For contribution as self-employed person	For contribution as non-employed person
	s. d.	s. d.	s. d.	s. d.
Men over the age of 18.....	1 1	1 0	1 1	9
Women over the age of 18.....	10	9	11	7
Boys under the age of 18.....	7	7	7	5
Girls under the age of 18.....	6	5	6	4

APPENDIX III

NATIONAL INSURANCE ACT, 1946

SECOND SCHEDULE: RATE OR AMOUNT OF BENEFIT

PART I

RATES OF PERIODICAL BENEFITS AND OF INCREASES FOR DEPENDENTS

Description of benefit	Weekly rate		Increase for child (where payable)		Increase for adult dependent (where payable)	
	s.	d.	s.	d.	s.	d.
1. Unemployment benefit—						
(a) in the case of a person over the age of eighteen, not being a married woman.....	26	0	7	6	16	0
(b) in the case of a person under the age of eighteen, not being a married woman—						
(i) during any period during which that person is entitled to an increase of benefit in respect of a child or adult dependent.....	26	0	7	6	16	0
(ii) during any other period.....	15	0				
(c) in the case of a married woman over the age of eighteen—						
(i) during any period during which she is entitled to an increase of benefit in respect of her husband, or during which is not residing with and is unable to obtain any financial assistance from her husband.....	26	0	7	6	16	0
(ii) during any other period.....	20	0	7	6	16	0
(d) in the case of a married woman under the age of eighteen—						
(i) during any period during which she is entitled to an increase of benefit in respect of her husband, or during which she is entitled to an increase of benefit in respect of a child or an adult dependent other than her husband and she is not residing with and is unable to obtain any financial assistance from her husband.....	26	0	7	6	16	0
(ii) during any other period during which she is entitled to an increase of benefit in respect of a child or adult dependent.....	20	0	7	6	16	0
(iii) during any other period.....	15	0				
2. Sickness benefit—						
(a) in the case of a person over the age of eighteen, not being a married woman.....	26	0	7	6	16	0
(b) in the case of a person under the age of eighteen, not being a married woman—						
(i) during any period during which that person is entitled to an increase of benefit in respect of a child or adult dependent.....	26	0	7	6	16	0
(ii) during any other period.....	15	0				
(c) in the case of a married woman over the age of eighteen—						
(i) during any period during which she is entitled to an increase of benefit in respect of her husband, or during which she is not residing with and is unable to obtain any financial assistance from her husband.....	26	0	7	6	16	0
(ii) during any other period.....	16	0	7	6	16	0

PART I—*Con.*

RATES OF PERIODICAL BENEFITS AND OF INCREASES FOR DEPENDENTS—*Con.*

Description of benefit	Weekly rate		Increase for child (where payable)		Increase for adult dependent (where payable)	
	s.	d.	s.	d.	s.	d.
(d) in the case of a married woman under the age of eighteen—						
(i) during any period during which she is entitled to an increase of benefit in respect of her husband, or during which she is entitled to an increase of benefit in respect of a child or an adult dependent other than her husband and she is not residing with and is unable to obtain any financial assistance from her husband.....	26	0	7	6	16	0
(ii) during any other period during which she is entitled to an increase of benefit in respect of a child or adult dependent.....	16	0	7	6	16	0
(iii) during any other period.....	15	0				
3. Attendance allowance.....	20	0				
4. Maternity allowance.....	36	0				
5. Widow's allowance.....	36	0	7	6		
6. Widowed mother's allowance.....	33	6				
7. Widow's pension.....	26	0				
8. Guardian's allowance.....	12	0				
9. Retirement pension—						
(a) where the pension is payable to a woman by virtue of a husband's insurance and he is alive.....	16	0	7	6		
(b) in any other case.....	26	0	7	6	16	0

PART II

AMOUNT OF GRANTS

Description of grant	Amount		
	£	s.	d.
1. Maternity grant.....	4	0	0
2. Death grant, where the person in respect of whose death the grant is paid was at his death—			
(a) under the age of three.....	6	0	0
(b) between the ages of three and six.....	10	0	0
(c) between the ages of six and eighteen.....	15	0	0
(d) over the age of eighteen.....	20	0	0

APPENDIX IV

NATIONAL INSURANCE ACT, 1946

THIRD SCHEDULE: CONTRIBUTION CONDITIONS

Unemployment and Sickness Benefit

1. The contribution conditions for unemployment benefit or for sickness benefit are that—

- (a) not less than twenty-six contributions of the appropriate class have been paid by the claimant in respect of the period between his entry into insurance and the day for which the benefit is claimed; and
- (b) not less than fifty contributions of the appropriate class or their equivalent have been paid by or credited to him in respect of the last complete contribution year before the beginning of the benefit year which includes the day for which the benefit is claimed.

Maternity Grant and Attendance Allowance

2. (1) The contribution conditions for a maternity grant or an attendance allowance are—

- (a) that not less than twenty-six contributions of the appropriate class have been paid by the relevant person in respect of the period beginning with that person's entry into insurance and ending immediately before the relevant time; and
 - (b) that not less than twenty-six such contributions have been paid by or credited to that person in respect of the last complete contribution year before the relevant time.
- (2) In this paragraph—
- (a) the expression "relevant person" means the person by whom the conditions are to be satisfied;
 - (b) the expression "relevant time" means the date of the confinement, or, where the relevant person is the husband and he was dead or over pensionable age on that date, the date of his attaining pensionable age or dying under that age.

Maternity Allowance

3. The contribution conditions for a maternity allowance are that—

- (a) not less than forty-five contributions of the appropriate class have been paid by or credited to the claimant in respect of the fifty-two weeks immediately preceding the period for which the allowance is payable; and
- (b) of those contributions not less than twenty-six are either contributions actually paid or contributions credited by virtue of the section contained in Part IV of this Act relating to married women.

Widow's Benefit and Retirement Pension

4. (1) The contribution conditions for widow's benefit or a retirement pension are that—

- (a) not less than one hundred and fifty-six contributions of the appropriate class have been paid by the relevant person in respect of the period between that person's entry into insurance and the relevant time; and
 - (b) the yearly average of the contributions paid by or credited to that person (ascertained as at the relevant time) is not less than fifty.
- (2) In this paragraph—
- (a) the expression "relevant person" means the person by whom the conditions are to be satisfied;
 - (b) the expression "relevant time" means the date of the relevant person attaining pensionable age or dying under that age.

5. (1) The contribution conditions for death grant are that—

- (a) not less than twenty-six contributions of the appropriate class have been paid by the relevant person in respect of the period between that person's entry into insurance and the relevant time,* and
 - (b) either—
 - (i) not less than forty-five such contributions have been paid by or credited to that person in respect of the last complete contribution year before the relevant time; or
 - (ii) the yearly average of the contributions paid by or credited to that person (ascertained as at the relevant time) is not less than forty-five.
- (2) In this paragraph—
- (a) the expression "relevant person" means the person by whom the conditions are to be satisfied
 - (b) the expression "relevant time" means the date of the deceased's death or, where immediately before that date the relevant person was dead or over pensionable age, the date of that person attaining pensionable age or dying under that age.

* Act amended 1949 to permit contributions credited to count in initial contribution test.

APPENDIX V

FUNDS ABSORBED INTO THE NATIONAL INSURANCE (RESERVE) FUND¹

PART I

UNEMPLOYMENT FUND

The Unemployment Fund.....	The Unemployment Insurance Act, 1935, s. 58(I).....	£ 372,733,000 ²	at 31st Dec. 1945
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PART II

HEALTH INSURANCE FUNDS

The National Health Insurance Fund.	The National Health Insurance Act, 1936, s.140(I).	£ 111,345,000	at 31st Dec. 1945
The Scottish National Health Insurance Fund.	The National Health Insurance Act, 1936, s.191.	12,600,000	
The Welsh National Health Insurance Fund.	The National Health Insurance Act, 1936, s.223.	3,975,000	
The Central Fund.....	The National Health Insurance Act, 1936, s.154(I).	14,150,000	
The Unemployment Arrears Fund.	The National Health Insurance Act, 1936, s.157(I).	7,500,000	
The Approved Societies (Officers) Guarantee Fund (Joint Committee).	The National Health Insurance Act, 1936, s.81.	196,000	
		149,766,000 ²	

PART III

PENSIONS FUNDS

The Pensions Account.....	The Widows', Orphans and Old Age Contributory Pensions Act, 1936, s.14(I).....	£ 440,000	at 31st March 1945
The Pensions (Scotland) Account..	The Widows', Orphans and Old Age Contributory Pensions Act, 1936, s.44(4).	32,000	
The Treasury Pensions Account....	The Widows', Orphans, and Old Age Contributory Pensions Act, 1936, s.14(2).	73,172,000	
		73,644,000 ³	
The Special Pensions Account.....	The Widows', Orphans and Old Age Contributory Pensions (Voluntary Contributors) Act, 1937, s.6(I).	4,000	at 31st March 1945
The Special Pensions (Scotland) Account.	The Widows', Orphans and Old Age Contributory Pensions (Voluntary Contributors) Act, 1937, s.19.	1,500	
The Treasury Special Pensions Account.	The Widows', Orphans and Old Age Contributory Pensions (Voluntary Contributors) Act, 1937, s.6(2).	14,816,000	
		14,821,500 ³	

¹ Approximate figures presented to the House of Commons by the Minister of National Insurance, February 21, 1946.

² Investments valued at cost price.

³ Investments valued at nominal amounts.

APPENDIX VI

PERSONAL INCOME FROM WORK AND PROPERTY
BEFORE AND AFTER INCOME TAX

Item	1938	1946	1947	1948
	Per cent	Per cent	Per cent	Per cent
Before taxes on income—				
Wages.....	37	39	42	44
Salaries.....	24	21	21	21
Pay of the Armed Forces.....	2	7	4	3
Profits, interest and rent ¹	37	33	33	32
Personal income from work and property.....	100	100	100	100
After taxes on income—				
Wages.....	39	43	46	48
Salaries.....	25	20	21	21
Pay of the Armed Forces.....	2	8	5	3
Profits, interest and rent ¹	34	29	28	28
Personal income from work and property.....	100	100	100	100

Source: National Income and Expenditure of the United Kingdom, 1946 to 1948. Cmd. 7649. P. 12.

¹ Including professional earnings and income from farming.

APPENDIX VII

INCOME TAX

AMOUNT OF TAX AND EFFECTIVE RATE OF TAX PER POUND OF INCOME
FOR SPECIMEN INCOMES

Income	Income all Earned Income				Income all Investment Income ¹			
	Charged for 1949-50		Proposed Charge 1950-51		Charge for 1949-50		Proposed Charge 1950-51	
	Income Tax (and Sur-Tax if any)	Effective Rate	Income Tax (and Sur-Tax if any)	Effective Rate	Income Tax (and Sur-Tax if any)	Effective Rate	Income Tax (and Sur-Tax if any)	Effective Rate
£	£ s. d.	s. d.	£ s. d.	s. d.	£ s. d.	s. d.	£ s. d.	s. d.

SINGLE PERSONS

200	7	10	0	—	9	6	5	0	—	7½	19	10	0	1	11½	16	5	0	1	7½
400	55	10	0	2	9½	46	5	0	2	3½	85	10	0	4	3½	74	5	0	3	8½
800	193	10	0	4	10	182	5	0	4	6½	265	10	0	6	7½	254	5	0	6	4½
1,000	265	10	0	5	3½	254	5	0	5	1	355	10	0	7	1½	344	5	0	6	10½
2,000	625	10	0	6	3	614	5	0	6	1½	805	10	0	8	0½	794	5	0	7	11½
4,000	1,813	0	0	9	1	1,801	15	0	9	0	1,993	0	0	9	11½	1,981	15	0	9	11

MARRIED COUPLES WITHOUT CHILDREN

200	—	—	—	—	—	3	0	0	—	3½	2	10	0	—	3	2	10	0	—	3
400	34	10	0	1	8½	28	15	0	1	5	58	10	0	2	11	48	15	0	2	5
800	162	0	0	4	0½	150	15	0	3	9	234	0	0	5	10	222	15	0	5	7
1,000	234	0	0	4	8	222	15	0	4	5½	324	0	0	6	6	312	15	0	6	3
2,000	594	0	0	5	11½	582	15	0	5	10	774	0	0	7	9	762	15	0	7	7½
4,000	1,781	10	0	8	11	1,770	5	0	8	10	1,961	10	0	9	9½	1,950	5	0	9	9

MARRIED COUPLES WITH THREE CHILDREN

200	—	—	—	—	—	6	0	0	—	3½	5	0	0	—	3	5	0	0	—	3
800	81	0	0	2	0½	69	15	0	1	9	153	0	0	3	10	141	15	0	3	6½
1,000	153	0	0	3	0½	141	15	0	2	10	243	0	0	4	10½	231	15	0	4	7½
2,000	513	0	0	5	1½	501	15	0	5	0	693	0	0	6	11	681	15	0	6	10
4,000	1,700	10	0	8	6	1,689	5	0	8	5½	1,880	10	0	9	5	1,869	5	0	9	4

Source: Financial Statement, 1950-51, as laid before the House of Commons by the Chancellor of the Exchequer April 18, 1950.

¹ Age relief.—Where the taxpayer (or his wife) is over 65 and his total income does not exceed £500, age relief is given; this reduces the tax payable to that chargeable on the earned income scale. Where the total income slightly exceeds £500, marginal relief is given so that the full tax on investment income scale is not payable until the marginal relief runs out.

APPENDIX VIII

RESIDENCE REQUIREMENTS FOR NON-CONTRIBUTORY
OLD AGE PENSIONS

In calculating the twelve or twenty years' residence required of the natural-born or naturalized British subject respectively, certain prescribed absences are considered to be periods of residence in the United Kingdom. These include, in addition to temporary absences of not more than three months at any one time, any periods spent abroad in any service under the Crown, if the applicant was paid from public funds or was the wife or servant of a person employed in this way; periods spent in the Channel Islands or the Isle of Man by a person born in the United Kingdom; or during which the applicant wholly or partly maintained a dependent in the United Kingdom. Similarly any periods spent in any part of Ireland before the establishment of the Irish Free State; or in service on a vessel registered in the United Kingdom, provided the applicant had formerly resided in the United Kingdom are considered as residence in the United Kingdom.

APPENDIX IX

AMOUNTS BY WHICH NON-CONTRIBUTORY OLD AGE PENSIONS
ARE REDUCED IN RESPECT OF RESOURCES

Status	Where the Total of Yearly Means		Rate of Pension per Week
	Exceeds	Does not Exceed	
	£ s.	£ s.	s.
Single Person or Married Man ¹	—	—	26
	26	5	24
	31	10	22
	36	15	20
	42	0	18
	47	5	16
	52	10	14
	57	15	12
	63	0	10
	68	5	8
	73	10	6
	78	15	4
	84	0	2
	89	5	Nil
Married Couple ²		52	42
	52	10	40
	63	0	38
	73	10	36
	84	0	34
	94	10	32
	105	0	28
	115	10	24
		126	20
	126	0	16
	136	10	12
	147	0	8
	157	10	4
	168	0	Nil
	178	10	

¹ After deducting allowable unearned resources of up to £39.² After deducting allowable unearned resources of up to £78.

APPENDIX X

ASSISTANCE PROGRAMS REPLACED BY NATIONAL ASSISTANCE

1. Unemployment Assistance, which had been paid by the Assistance Board under the Unemployment Assistance Act to insurable unemployed persons not qualified for Unemployment Benefit and to those whose benefits were insufficient for their needs.

2. Supplementary pensions, paid by the former Assistance Board under the Old Age and Widow's Pensions Act, 1940 to old age pensioners and to widow pensioners over 60 years of age or whose pensions included an additional allowance for a child.

3. Blind Domiciliary Assistance, paid by Local Authorities to registered blind persons under the Blind Persons Act.

4. Tuberculosis Treatment Allowances, paid by Local Authorities, on behalf of the Health Departments and at the cost of the Exchequer, to persons suffering from tuberculosis of the respiratory system who gave up employment to undergo treatment.

5. Outdoor Relief under the Poor Law, paid by Local Authorities to persons in need and who were not eligible for assistance under any of the other services.

APPENDIX XI

RESOURCES DISREGARDED UP TO A TOTAL OF £1 IN CALCULATING NEED
UNDER THE NATIONAL ASSISTANCE ACT

In addition to the resources previously mentioned, certain other payments are disregarded up to an over-all limit of £1 weekly. These include the first 10s. 6d. weekly of superannuation payments in respect of previous services, including all payments in respect of previous employment from which the recipient has retired or resigned, whether or not the payments are made by a previous employer and whether or not they are made voluntarily or under contract. It does not apply to payments received by the widow or dependent of an employee in respect of his previous service which are dealt with on a discretionary basis. This provision also covers attendance allowances and maternity allowances under the National Insurance Act; wounds and disability pensions, including a dependent's allowance; disablement pensions under the Personal Injuries (Emergency Provisions) Act, 1939, as well as any increase for dependents; weekly payments under workmen's compensation legislation; and disablement benefits under the National Insurance (Industrial Injuries) Act, 1946.

APPENDIX XII

PERSONS IN RECEIPT OF NATIONAL ASSISTANCE¹
NOVEMBER, 1948

	No.	Per cent
ON THE ORDINARY SCALE—		
Assistance granted to supplement—		
Non-contributory pensions.....	66,920	6.9
Retirement pensions.....	465,160	48.3
Widows' allowances and pensions.....	73,480	7.6
Sickness benefit.....	56,700	5.9
Industrial injury or disablement benefit.....	1,040	0.1
Unemployment benefit.....	15,200	1.6
	<hr/> 678,500	<hr/> 70.4
Other cases:		
Unemployed persons required to register at Employment Exchanges though not receiving unemployment benefit.....	28,760	3.0
Persons living in accommodation provided by Local Authorities under Part III of the National Assistance Act.....	19,980	2.1
Persons in hospitals receiving assistance to provide pocket money only....	8,580	0.9
Others.....	160,540	16.6
	<hr/> 217,860	<hr/> 22.6
ON THE SPECIAL SCALE FOR BLIND AND CERTAIN TUBERCULOSIS PERSONS—		
Blind persons:		
Assistance granted to supplement—		
Non-contributory pensions.....	16,060	1.7
Retirement pensions.....	25,740	2.7
Other cases (non-pensioners).....	3,340	0.3
Persons undergoing treatment for pulmonary tuberculosis:		
Assistance granted to supplement sickness benefit.....	16,380	1.7
Other cases (not receiving sickness benefit).....	5,580	0.6
	<hr/> 67,100	<hr/> 7.0
Total.....	<hr/> 963,460	<hr/> 100.0

Source: Report of the National Assistance Board for the year ended 31st December, 1948. p. 42.

¹ Figures derived from a sample enquiry of five per cent of 963,460 cases, made in November 1948, four months after National Assistance began.

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The WITNESS: I think it might be useful if, today, following a few general comments the Committee would give its attention to the insurance scheme, leaving until Monday the discussion of the two old age assistance programs. I think we are trying to cover quite a comprehensive report in two sessions and if we follow this general outline it may expedite our study of the subject. Would that be agreeable?

The CHAIRMAN: Is that agreeable to the committee?

Agreed.

The WITNESS: If I may be permitted I should like to make a few very brief comments on the historical development. As you know, in Britain, for over 300 years the poor law authorities have had the responsibility for the relief of destitution. Back in the 1880's and 1890's and during the early part of this century there was considerable agitation for the provision of a special program for the aged to remove them from the traditional poor law system. In 1908 legislation was introduced establishing an old age pension scheme which is similar to the pension programs the Committee has reviewed in the case of Canada, and to the early programs in the case of New Zealand and Australia. It is a program whereby people seventy years of age and over receive a means test pension. It is a non-contributory scheme, financed from general revenue. This legislation marked an important break away from the traditional Poor Law system.

It was recognized at that time, that the extent and long term nature of the old age problem warranted special consideration. It is interesting to note that, at this stage, the British did not consider a contributory system in their approach to old age income security. They adopted a means test program but this means test was much more liberal than the Poor Law system.

A few years later, in 1911, Britain introduced a compulsory scheme for unemployment and health insurance. Under that scheme they adopted the contributory principle but it was not until 1925 that they introduced a con-

tributory old age insurance program. That scheme was what might be called a partial coverage scheme while the legislation that was put into effect in 1948 provides a comprehensive coverage.

I should mention, too, that in 1940 in addition to lowering the age from sixty-five to sixty years for women, a system of supplementary benefits was introduced for cases of need where the old age widows' pensions needed supplementation. The significance of this Act was that it placed under the Assistance Board, a national agency, the responsibility for supplementing the income of pensioners requiring further assistance.

There have been three major steps in the development of old age income security: first, in 1908 a non-contributory old age means test scheme at seventy; second, in 1925, a contributory scheme which covered part of the population—the majority of persons under contract of service, with benefits payable at sixty-five and later in 1940 at age sixty for women; and third, the current system which has the three programs—the comprehensive compulsory insurance scheme of which old age insurance is a part; the non-contributory old age pension program; and the national assistance program of which assistance to the aged is a part.

In 1942 Lord Beveridge in his Report suggested that old age pensions should be paid at age sixty-five for men, sixty for women only on retirement from work and that the rate of pension should be increased above the basic rate if retirement is postponed.

Lord Beveridge proposed a contributory scheme with comprehensive coverage, in which the basic pension rate should be raised gradually during a transitional period of twenty years. During this twenty year period provision should be made for providing supplementary payments to pensioners in accordance with their needs. As a part of the Beveridge plan a number of income maintenance programs including old age were grouped together under one uniform contributory scheme financed on a tripartite basis with a flat rate contributions and providing flat rate benefits for all these income maintenance programs.

The coalition government stated its policy in a white paper a few years later. It proposed a contributory scheme with a standard rate of retirement pension of twenty shillings for a single person; fifteen shillings for a wife; and twenty-five shillings for a married couple. For deferred retirement it was proposed to pay one shilling a week for each year of deferred retirement in the case of single persons and two shillings a week in the case of married couples. The Government White Paper supported the age of sixty-five and sixty for men and women respectively as the minimum age for retirement and proposed that a joint pension become payable when the husband qualifies, whatever age of the wife, provided that if she is under sixty she is not gainfully employed. It was proposed that pensions should depend upon contributions paid during the working life of the applicant and should be reduced when the contribution record shows a deficiency.

In a few words I have mentioned some of the more significant developments prior to revisions and extensions to the social security legislation passed in the period from 1945 to 1949.

The present legislation in Britain establishes, in effect, three programs for old age income security. One is the comprehensive contributory scheme with retirement at 65 for men and 60 for women; the second is the non-contributory old age pension payable at seventy on a means test basis, which has been retained as a transitional measure for a decade or two; the third scheme is the national assistance program brought in under the National Assistance Act, which supplements the national insurance program and the non-contribu-

tory old age pension scheme as long as it continues in cases where the benefit is insufficient; and further it provides protection to individuals in need who, for one reason or another, have not been covered under either of these programs.

Mr. KNOWLES: That goes beyond old age—that provides supplementary assistance of several kinds?

The WITNESS: That is right. Assistance for the aged is only one kind of aid provided under this National Assistance scheme.

Mr. KNOWLES: May I ask whether the precaution was taken to see that the brief before us would be included in our record?

The CHAIRMAN: Yes, all of the memoranda will go in the record.

Mr. KNOWLES: I was taking that for granted but did we mention this one today?

The CHAIRMAN: It will be included.

Hon. Mr. KING: Did I understand you to say that the ages in the Beveridge report were fifty-five and fifty—

The WITNESS: No, Senator King, sixty-five and sixty.

I would like to mention at this point that under the new contributory program 4,150,000 persons were receiving contributory insurance pensions as of April 1949; that 445,000 were receiving non-contributory pensions under the old age pension program as of the same date; making a total of 4,595,000 receiving pensions under these two schemes out of an estimated 6,537,000 persons sixty-five years and over for men and sixty years and over for women as at June 30, 1949. Now, with respect to national assistance, a five per cent sample revealed that 12 per cent of those who were receiving the new contributory insurance pension were also receiving supplementary aid from the national assistance program and 18 per cent of those receiving the non-contributory old age pension program were also receiving supplementary aid under the national assistance program.

Hon. Mr. Fogo: Is that 12 per cent of the beneficiaries?

The WITNESS: Yes Senator Fogo. 12 per cent of the beneficiaries under the new contributory insurance scheme were also receiving supplementary aid under national assistance. 18 per cent of the beneficiaries under the non-contributory old age pension program were also receiving aid under the national assistance scheme.

Hon. Mr. Fogo: Thank you.

The WITNESS: Now, I regret that we have been unable to get the number of persons receiving national assistance who are in the old age group and who are not covered by either of the other schemes.

Mr. FLEMING: Are you in a position to break down those figures as to the various age categories—in the five year groups, sixty to sixty-five, and seventy to seventy-five?

The WITNESS: No, I am sorry we have not that information.

Mr. KNOWLES: Can you break it down as between the total number at the old age point—compared with those from sixteen to sixty?

The WITNESS: We are endeavouring to obtain that information from England but we haven't it at this time.

Mr. FLEMING: These figures you give as to numbers getting benefits under the plan are not in the brief are they?

The CHAIRMAN: Yes they are; at the bottom of page 2.

Mr. FLEMING: Not all of them?

The WITNESS: I think you will find either these figures or comparable figures but for different dates in the memorandum.

The CHAIRMAN: I thought you had spent the night reading the memorandum, Mr. Fleming?

Mr. FLEMING: I can assure you that I read the first twenty pages of this but I do not recall many of these figures being in the brief.

The WITNESS: Mr. Chairman, the figure of 445,000 beneficiaries of non-contributory pensions as of April 1949 is a more recent one than the 453,000 beneficiaries at the end of 1948 as shown on page 6; the 18 per cent and 12 per cent which I mentioned are referred to on the bottom of page 6; a figure of 4,000,000 persons receiving contributory insurance pensions in January 1950 is shown at the foot of page 5. The figure I mentioned a few moments ago was 4,150,000 as of April 1949.

I would emphasize the non-contributory scheme is payable to persons seventy years of age and over whereas the other two schemes are payable at the age of sixty-five for men and sixty for women.

May I draw to your attention the chart following page 7, which shows the network of cash benefit programs in Great Britain. You will note that under the national insurance benefits, the fifth box is retirement pensions, and that under the national assistance board there are two programs—non-contributory old age pensions and assistance. Those are the three schemes to which I have referred in the general sitting of the total program. This chart does not include health services; it is restricted to the cash benefit programs.

I think, Mr. Chairman, that there are a few points we might mention before proceeding with our discussion on the basis of a page by page reference to the brief. First of all it should be stressed that the old age income maintenance programs are a part of a general social security scheme. Here we find a situation comparable to that in a number of other countries we have studied—for instance New Zealand and Australia. Since they are part of a unified system of cash benefits you might expect and indeed you find one contributory system which has been devised to bring in a large portion of the revenue for the cash benefit insurance programs. These various insurance programs have been developed over a number of years and now they have been brought under one administration, with one contributory mechanism and with comparable benefits. You do not have the situation now that used to apply when the old age contributory pension was at a lower rate than the unemployment benefit.

I think too that an important feature of the new insurance scheme is its comprehensive coverage. In the previous old age insurance program slightly more than 85 per cent of the gainfully occupied persons were covered, whereas, under this scheme you have a much more comprehensive coverage which promises in the long run almost universal coverage in so far as retirement benefits are concerned. In the initial period there is not as comprehensive coverage under the insurance scheme as will be attained as time goes on.

Another feature that should be noted is that the British approach to contributions is a tripartite system, whereby the employer, the employee and the Exchequer contribute towards the insurance program.

Another feature worthy of note is the fact that the scheme provides for flat rate contributions. Now the flat rate contribution does bear more heavily on the lower income groups. On the other hand, with flat rate contributions you have flat rate benefits, and a flat rate benefit is usually to the advantage of the lower income groups.

With the flat rate benefit the British insurance benefits are designed to provide an average minimum subsistence level for the country as a whole. It was fully appreciated that the rate would not meet basic maintenance in every needy case since the cost of living varies considerably from one part of the country to

another, and even from one person to another within the same community. Their fundamental approach has been to provide this basic minimum benefit and then to provide in cases of need supplementary aid under a flexible assistance program, and, with a basic minimum pension they hope to encourage people to save on their own account to provide themselves with added income during their retirement. But for those who have been unable to do that for one reason or another, the state provides assistance on the basis of need.

The flat rate benefit approach is of interest when it is compared with the Old Age and Survivors' Insurance program in the United States, where you have quite a varied benefit depending upon the particular benefit formula in effect at the time, and depending upon the earnings and contribution record of the individual.

Another feature is quite important. In the case of Britain they do maintain records of the individual's contribution for the purpose of contributory old age pensions, but they do not in the case of health services. For the health service they are not concerned with relating the amount of service provided with the past contribution record; but, in the insurance program they are concerned with the contribution record of the individual. I think that this scheme goes about as far as you can go in maintaining a minimum of records without accepting the New Zealand and Swedish approach whereby no account is taken of the past record of contributions. In those countries a citizen is expected to contribute if he has a certain income and it is up to the taxation authorities to tax that income and make the necessary collection. However, at the time benefits are payable, they are paid as a right and there is no investigation of the past contribution record. In the British scheme they do maintain records of contributions. They have a very simple formula, as we will see in a few moments, for determining the amount of benefit in accordance with that contribution record. Accordingly they do attach some importance to the fact that the benefit should be reduced if there is a contribution deficiency, which is in contrast to the situation under the New Zealand and Swedish schemes.

Another aspect worthy of consideration is the deferred retirement feature. We noted the bonus paid for deferred application under the means test scheme in the case of Denmark. We are now studying a program which has had built into it, a scale of higher rates for deferred retirement.

Another aspect which I think is important is the fact that aside from the reserve they were able to build up under their previous social insurance programs over a period of years and which has now been put into the national insurance (reserve) fund, the British scheme is operating on a pay-as-you-go basis. In so far as existing insurance scheme is concerned it is being financed in the following manner. They are getting contributions from insured persons, from employers, and from the exchequer as part of the tripartite contributory system. In addition they are getting an annual grant from the exchequer, and further, they are getting interest payments from the national insurance (reserve) fund which contains the assets of the old insurance schemes which have now been replaced with the new insurance plan. They are using interest from this money to finance their current program. I think we can discuss that in more detail later.

Now, if you will turn to page 8 you will note that under the national insurance program there is coverage for every person over school leaving age—that is sixteen to sixty-five—and under pensionable age. School leaving age varies depending upon whether you refer to England, Wales, or Scotland, so it may be helpful if we think of it as being fifteen or sixteen. There are some minor residence qualifications upon which I do not think we should spend any time, other than to note that if a person comes into the country, after twenty-six weeks that person is compulsorily insured. There is the option of voluntary insurance prior to that time.

On page 9 you will see that there are three insurance classes. Class 1 is for employed persons—these are persons who are gainfully employed under a contract of service. That is the type of person covered under the unemployment insurance program in Canada, only in this case there is broader coverage.

Class 2 consists of self-employed persons. This class includes lawyers, doctors, members of parliament, farmers, and so forth.

Class 3 consists of non-employed persons. They are persons who have income from investment and other sources not derived from personal labour.

By Mr. Brooks:

Q. Do you have the number in each of these different classes?—A. I am sorry, Mr. Brooks, we do not have that information.

By the Chairman:

Q. Mr. Willard, are the contributions compulsory for the three classes?—A. The contributions are compulsory for the three classes.

Q. Are there any voluntary payments made except the ones you just mentioned, when someone has been in England for a period of less than 26 weeks?—A. As to whether others may cover themselves voluntarily, there is a provision which we will come to later where people who were late age entrants have the option of continuing payments after the retirement age in order to build up sufficient contributions for benefit eligibility. We will also come to a provision later where married women who work have the option of contributing or of not contributing.

By Mr. Brown:

Q. That would mean they would be compulsorily covered if they have been in residence for 26 weeks or have become employed, whichever is the first. Is not that right?—A. Yes, whichever is the first. That is correct.

Q. In other words, you have a person going to England and getting a job; he will immediately start making contributions?—A. I understand that is the way it operates.

By Mr. Ferrie:

Q. And if anything happens, he would get the benefits?—A. In the case of the retirement benefit it would require 156 weekly contributions or three years; and in the case of other insurance benefits certain qualifications are required. For instance, to qualify for unemployment benefits, the applicant would have a waiting period of 3 days; he must have paid a certain number of contributions and have met certain other qualifications before he would become eligible.

By Mr. Brown:

Q. But if he was there for 26 weeks and was not employed, how would he be compelled to make contributions?—A. He would not be compelled if he received no income as an employed person, a self-employed person, or a non-employed person. In other words, there are situations where some people, who are not receiving an income or gainfully employed, will not be covered. For illustration a girl may stay at home with her family where she is not gainfully employed or self-employed and could not be classed as non-employed and therefore she does not contribute to the scheme. There are some instances like that which along with certain other factors prevent the scheme from becoming completely universal in its coverage.

By the Chairman:

Q. She would never be covered, I suppose, if she lives with her parents, and after their death she goes and resides with a brother; she lives with him but has no income at all; so she will never be covered?—A. I am informed she would have to register as in the non-employed class but that if her income is below £104 she would not be covered.

Q. If she has no income?—A. If she has no income she would not be covered.

Q. She would draw benefits from old age assistance but not from the contributory scheme?—A. That is right.

By Mr. Knowles:

Q. I take it then that a person who has been there for more than 26 weeks comes within one of these three insurance classes.—A. Yes.

By Mr. Brown:

Q. And I take it that under old age assistance she would get about the same as under the insurance plan?—A. Yes. Under the old age non-contributory pension scheme the rates are the same for the new contributory scheme, that is, 26 shillings for a single person or a husband, and 16 shillings for a wife, and a total of 42 shillings for a married couple. But under national assistance weekly assistance rates exclusive of rent are 24 shillings for a single householder, and 40 shillings for a married couple.

Q. So there is the case of a person drawing a benefit who would not make any contribution.—A. I would say that with regard to the insurance scheme.

By the Chairman:

Q. They would draw assistance, but they would not draw benefits under the insurance scheme.

Mr. BROWN: That is right; but they would have the same income practically.

The CHAIRMAN: You mean under the means test?

Mr. BROWN: Yes.

By the Chairman:

Q. If I understand it correctly a feature of the United Kingdom program makes it impossible to have a truly universal coverage such as they have in Sweden and New Zealand.—A. I think that they will get so close to it over a period of years and that the number of exceptions will form a very small group—a very narrow line will separate comprehensive and universal coverage; but I think your statement is correct. In New Zealand and Sweden they have severed the link between the contributory and earnings records of the individual and the benefits paid. They do not worry about how many contributions an individual has made in order to become eligible, or about how many contributions he has made in order to determine the average rate of benefit and so forth. This permits more complete coverage.

Q. If you should have that feature in your scheme then you would have to have a kind of means test assistance on one side of your system in order to cover cases of the poor?—A. I would say that—

Q. If you want to have universal coverage for old age?—A. If you want to provide adequate protection and if you have a flat rate benefit, an assistance program comes in as a necessary supplement and it also offers protection on a means or needs test bases to any who are not covered by the insurance scheme. In the case of New Zealand where the actual rate of superannuation benefit is relatively low at this time, they also have a means test pension.

Q. You are right; but I mean in principle?—A. And in the United States you will recall that of the elderly people receiving O.A.S.I. about 10 per cent were also receiving assistance under O.A.A.; so it is difficult to draw a hard and fast line to say that you won't need assistance if you have an insurance program because it really depends on the adequacy of the benefit provided.

By Mr. Fleming:

Q. I take it in all your references to the United Kingdom plans both as to payments and benefits you are quoting everything on a weekly basis?—A. I have been to date.

Q. And you will be so doing all the way through?—A. Yes although there may be a few instances where we have used a yearly figure.

Q. The United Kingdom has never been on a monthly basis for either the payment of benefits or the payment of contributions?—A. No.

By Mr. Brown:

Q. They get their benefits paid to them every week?—A. Their literature suggests that it is on a weekly basis.

By Mr. Fleming:

Q. From the administrative point of view have you any comment to make in distinguishing it from the American? Is it strictly on a monthly basis?—A. I think that the more frequently you make payments, the more it might raise your administration costs, though it would probably only affect costs slightly. On the other hand, if you can make your payments weekly, it is far more helpful for people who are in need to get it at frequent intervals. Further if they have to wait for a time because of some other condition such as a waiting period under unemployment benefit then I think less frequent payments might work a considerable hardship.

Q. That would apply to your first waiting period only, but from then on, it would become a matter of budgeting?—A. Yes.

Q. There is no problem so long as the people are getting enough and are capable of maintaining their own domestic budgets?

Mr. MacINNIS: If a group is getting an assistance allowance, and they are getting enough, then if you pay them by the month, would not the tendency be for them to spend that allowance before the end of the month? Therefore they make the payments on a weekly basis?

By Mr. Corry:

Q. As I understand it the scheme in Britain is operated on a pay-as-you-go basis; and that in addition to the contributions made by the employers and by the employees and by the state there is an annual grant made from the exchequer. Am I correct in understanding that the scheme does require an annual grant each year to be paid from the exchequer?—A. Yes, that is correct; when we come to discuss this question of financing later on we will see the amounts of income which the scheme is receiving under those grants. In addition to the regular tripartite contributory feature under which the exchequer participates there are annual grants from the exchequer.

By Mr. Knowles:

Q. A few moments ago in answer to a question by the chairman I understood you to say that the line between universal coverage and this approach is a pretty narrow one, or so narrow that you could almost say "yes" to the chairman's question. Now may I ask you to comment on the figures which you gave

earlier which show that roughly $4\frac{1}{2}$ million out of the present population of $6\frac{1}{2}$ million are in either one of the two schemes, leaving about 2 million who are not now in either plan.

Does that mean that those are people of 70 years of age and over who have sufficient means? Does it include some people who were late of age entrants and therefore did not qualify for the insurance pension? And then could you say how long it would take before that number will get down to that narrow line you spoke of a moment ago?—A. Well, Mr. Chairman, in answer to Mr. Knowles I would say that he has mentioned the main factors which are keeping the number of beneficiaries down and the coverage from being more comprehensive than it will be in, let us say, another three decades.

First of all there are the late age entrants, the people who were in their late 50s and in their early 60s when the scheme came into effect, many of whom came in too late to receive the insurance pension. Then there are in addition the people who are 65 years of age and over who were not covered under the old contributory scheme and who are excluded under the new contributory scheme.

Some of these who are 70 years of age and over are covered under the non-contributory old age pension scheme and some are drawing national assistance.

As to the actual time it will take, the last date on which they will receive beneficiaries under the old age non-contributory scheme will be in 1961. So you can expect that scheme to taper off.

As to the late age entrants, there will be a group in the age category from ten years below the pensionable age up to the pensionable age of a large proportion of whom probably will not receive pensions under this scheme. There may be a period of 30 or more years before the scheme will get comprehensive coverage which will be fairly close to universal coverage.

Q. I have been wondering several times how weighty in your mind is the line between "comprehensive" and "universal"?—A. I would say in another 30 years the line would be fairly narrow. But at the present time they are far apart, as the figures I have quoted would indicate.

Dr. DAVIDSON: Mr. Chairman, I hope that Mr. Willard will not mind my adding that I am not quite as optimistic as I think he is about the possibility of getting universal coverage. My own view is that this will go much further than the American scheme. I think we are now in much the same position in forecasting the experience in the United Kingdom that the Americans themselves were in 1935 when they were fairly optimistic about getting it up to an optimistic percentage in a reasonably short time. I think that the United Kingdom will get as far as any country in getting universal coverage under this kind of system.

Mr. KNOWLES: You mean insurance?

Dr. DAVIDSON: I mean a system which relates the right to benefits to prior contribution. I think Mr. Willard and I might differ by as much as 10 per cent in our estimates of what the old age coverage will be.

The WITNESS: Mr. Chairman, I would like to add a foot-note to Dr. Davidson's comment if I may. The Minister of National Insurance recently stated that it is too soon to judge the actual comprehensiveness. That is why I have been unable to be more definite and why I feel it is too early yet to arrive at a decision about the effectiveness of the retirement provisions. But on the other hand I would point out that this scheme is more comprehensive than the United States and I do not feel the situation is comparable to that of 1935 in United States. The 1935 Act did not include self-employed, or non-employed persons with income from other sources or as broad a coverage of employed persons under a contract of service. So you have a considerable extension of coverage under the British legislation over and beyond anything now contemplated even under the present amendments which are under consideration in HR 6000 in the United States.

By Mr. Knowles:

Q. You both seem to agree that this thing goes as far as it is possible to go as long as you retain the insurance set-up and the benefits related to prior contributions; and if there is any barrier to its being completely universal, it is that relationship.—A. I would think that is a fair statement of the dividing point. They are trying to get as comprehensive a coverage as they can consistent with the maintenance of individual records of contribution. And if you do away with contribution records, you could get universal coverage.

The CHAIRMAN: As they have in New Zealand?

By Hon. Senator Fogo:

Q. But would there not always be a segment of the population which would not be able to make contributions and therefore would not be able to qualify thereby, including for instance the so-called unemployables? I am disregarding those who may be past the level of contribution?—A. I think that is the point Dr. Davidson is making, that there may be quite a number in that category.

Q. Is there any estimate of what that group might be, or is expected to be? —A. I am sorry, Senator Fogo, as I just mentioned earlier the minister himself has been unable to provide an estimate; and we have been unable to uncover any other estimate from the material we have had available.

By Mr. Fleming:

Q. Mr. Chairman, if this is not the most convenient time to deal with my question, it will be quite all right to refer to it at a more convenient time; but in connection with this matter of comprehensive coverage, I wish Mr. Willard would deal with the question of the inclusion of agriculture, both the farmer and the agricultural worker, with respect to the ease with which they were fitted into the scheme from the point of view of contributions and from the point of view of benefits?

The CHAIRMAN: That is a \$64 question.

By Mr. Fleming:

Q. I will settle for \$20.—A. Mr. Chairman, as the members know, the extension of unemployment insurance coverage to agricultural workers in Britain was carried out some years ago. If we are trying to relate this problem of coverage to the situation in Canada I think we should be reminded that the question including agricultural workers, and farmers is quite a different proposition in Britain than it is in Canada. Britain is a relatively small country; British farms are comparatively small; many communities merge into rural areas and so on. The size of the country and the density of the population made it relatively easy for their insurance inspectors to carry out any necessary inspections in connection with their unemployment insurance program, and now the practice has been carried over to the general insurance program. So I do not think that the problems we would face with regard to the inclusion of this occupation in Canada in putting into effect a similar type of scheme would be altogether comparable because of the factors I have mentioned.

Q. I do not suppose you want to make a comment,—but if you do, I will be interested to have it,—on whether it is in fact possible to project such a scheme into Canada so as to include our agricultural population?

The CHAIRMAN: Mr. Fleming, I wonder if that would not be one of the questions which should come when we study the answers to the questions that we shall put to our experts? I am just asking myself that question.

Mr. FLEMING: Mr. Chairman, if it is within the realm of strict opinion, then I would not press the question. But if there is a simple answer to it from

the administrative point of view or in the light of administrative experience, I would be glad to have it. I think it is up to the witness to say how he would regard it.

The CHAIRMAN: I believe that if we start on that subject at this time we may be sitting for the rest of the day. Whatever the opinion of the witness is, I believe many members have their own opinions and we would find ourselves going a long way on this subject and only getting back to the United Kingdom perhaps next Monday or Tuesday.

Mr. KNOWLES: Both the United States and the United Kingdom have programs which are in part at least on the insurance principle. In the United Kingdom they had no substantial difficulty with their agricultural section; whereas in the United States they did.

The CHAIRMAN: The situation is different in every country.

Mr. KNOWLES: And our situation is more comparable to that of the United States than it is to that of Britain?

The CHAIRMAN: It is. I believe this question should be raised a little later in the proceedings, Mr. Fleming.

Mr. FLEMING: I bow to your infallible judgment, Mr. Chairman.

The WITNESS: May we proceed now, Mr. Chairman?

The CHAIRMAN: Yes, if you will, please.

The WITNESS: On page 10 you will note that we have mentioned that, with certain modifications, members of the armed forces are treated as employed persons, and that persons with incomes not exceeding £104 a year may on application be excepted from liability to pay contributions.

Under class I—employed persons—which is made up of persons under contract of service, there is in each case an employer's contribution, an employee's contribution, and a supplementary payment by the state.

Under class II—the self-employed—they make their own contributions and a contribution is added by the exchequer.

Under class III—the non-employed—they make their own contributions, and a contribution is added by the exchequer. Over and above these contributions by the exchequer on behalf of these three classes, there are annual grants which are paid by the exchequer towards the support of the program.

By Mr. Ferrie:

Q. That is a part of all these contributory insurance programs?—A. Yes, that is a part of all these contributory insurance programs; they make this additional grant annually.

By Mr. Brooks:

Q. What proportion does each pay? Does the employer, the employee, and the exchequer each pay the same amount?—A. In a few moments we shall come to that point and we shall examine those proportions. I think I should mention that the rates vary according to age, sex and rate of remuneration.

If you will now turn to page 12, and note the rates quoted at the top of the page, you will see the contributions that are made by men, women, boys under 18, and girls under 18. In the case of employed persons, the amount is 4s. 7d. for men; 3s. 7d. for women; 2s. 8d. for boys under 18; and 2s. 2d. for girls under 18.

By Mr. Brown:

Q. What would that be transposed into Canadian funds at the present time?—A. The figures I have just read would correspond to 72 cents, 54 cents, 41 cents

and 33 cents at the current rate of exchange which is 3.08 Canadian dollars for a pound sterling.

Then you will notice that the employer pays slightly less than an employed person in each instance; and you will also note that the self-employed person pays slightly more than an employed person. That is justified on the grounds that the self-employed person has no employer contribution made on his behalf and therefore it is expected that he should pay slightly more in order to take care of what would be the employee-employer contribution in the case of an employed person.

By Mr. Welbourn:

Q. In the case of an employed person, is his contribution deducted from his wages, or is it a voluntary contribution?—A. In the case of an employed person his contribution is deducted from his wages by the employer and that responsibility rests upon the employer in the same way as it does in the case of unemployment insurance in Canada.

By Mr. Brown:

Q. You mentioned self-employed persons or persons such as members of Parliament—to discuss a very personal matter. Most of us, I think it is correct to say, have two or three persons in our employment as employees, such as stenographers, for instance. Would we pay the same rate?—A. If you had, for instance, stenographers working for you, you would deduct from the stenographer's salary the amount of her contribution as an employed person.

Q. That would be for an employed person?—A. And you would also pay the amount which is set down here for the employer of that employed person. And then in addition, as a self-employed person, you would pay your own contributions. You will notice that in the case of employed persons earning 30 shillings or less a week, the employer pays a larger share of the contribution, that is, 5s. 9d. for men, and 4s. 5d. for women; the employed person paying correspondingly less. This is the variation according to the rate of remuneration which I mentioned a few moments ago. This is a provision whereby employed persons who receive a low wage have their contribution rate lowered. It makes the flat rate contribution less regressive as a tax. Additional contributions are required for the National Insurance Industrial Injuries Act, which is the equivalent of the Workmen's Compensation Acts in the various provinces of Canada. That contribution applies only to the affected groups, and it does not apply, for instance, to self-employed or non-employed persons.

Now with respect to the rates for the exchequer supplement, you will see the amounts set out for the same groups at the foot of page 12.

By Mr. Laing:

Q. Has this been constant for some time or have the rates been altered?—A. Those are the new rates as of July 5th, 1948. The rates in the case of employed persons, employers, self-employed, and non-employed, will be increased in 1951.

Q. Have the proportions been altered quite often?—A. Mr. Chairman, in answer to Mr. Laing's question I would point out that this is a new system that combines a great many benefit programs with a unified contribution; whereas, before, you had a number of individual programs with different contribution rates depending upon the type of system, the liability and so forth. In most cases, however, it was a tripartite system.

MR. KNOWLES: There has been no change in the relationship since they were combined into one?

The WITNESS: No, there have been no changes in the rates or the proportions since they were combined with the introduction of this new Act.

By Mr. Brown:

Q. I do not quite understand this exchequer supplement. Does that vary from year to year according to the economic conditions prevailing in the country?—A. No, Mr. Brown. The exchequer supplement is a set amount which the exchequer has to pay every week for each employed person, for each self-employed person, and for each non-employed person who contribute to the insurance fund.

Q. Then you have got the contribution from the employer, the employee, and the state?—A. Yes.

Q. And in addition to that you have the exchequer supplement?—A. The state contribution which you have just mentioned is called the exchequer supplement; but over and above that there are annual grants from the exchequer.

Q. Oh, I see. The annual grant makes up any deficit?—A. That is correct.

Q. That would be the one that would vary from year to year?—A. Yes. They have made an estimate of what will be required each year up to 1955. The annual amount is voted by parliament.

Q. You have got the rates for the exchequer supplement for each contribution—is that 1s. 1d. contribution made by an employed person, a self-employed person, a non-employed person and so on?

A. I think Mr. Brown, if you look at the table on page 13 you will see that it summarizes the contributory arrangements; however, it does not show the annual grant from the exchequer. You will see in this table where the exchequer supplements come in and how much they are. For instance, take the case of a man eighteen years of age and over, who is an employed person, you will see that including the general and industrial injuries contribution, this insured person will pay 4s. 11d.; his employer will pay 4s. 2d.; and the exchequer will pay 2s. 1d.

In the case of self-employed persons, an insured man will pay 6s. 2d.; the exchequer will pay 1s. 1d.

In the case of the non-employed persons, an insured man will pay 4s. 8d., and the exchequer will pay 9d.

Over and above anything that the exchequer may have to provide through this contribution supplement they will also pay an annual grant.

Mr. CORRY: Why does the exchequer make a grant on a contributory system?

Mr. LAING: To enable Brown to keep his three stenographers.

The WITNESS: In answer to that question I would say this: various methods have been used for obtaining financial support for social insurance schemes. In some cases you may find the scheme primarily supported by contributions of the individuals who are covered. In other schemes you will find them supported primarily by employers. A good example of this type of scheme is the Workmen's Compensation Act in any province of Canada; Workmen's Compensation is supported entirely by employers. In other instances, you may find a tripartite type of contributory system such as we have under our unemployment insurance legislation in Canada; in this case there are employer-employee contributions to which the government adds 20 per cent of the combined contribution. The British, for many years past—dating back to 1911 when they first brought in their unemployment insurance legislation—have accepted this tripartite type of contributory scheme.

Mr. KNOWLES: It is to be noted that in the United States, where they do not make an exchequer supplement by that name, they pay interest on the fund. In New Zealand they do not pay interest but they make a contribution.

The CHAIRMAN: It is a question of policy.

Mr. FERRIE: Does the government use the funds in Great Britain?

The WITNESS: With respect to the national insurance (reserve) fund—the government does use the money—the money is invested in government securities and the interest from those securities is placed in the national insurance fund used for current financial operations.

Mr. LAING: This should be called a semi-contributory scheme?

Mr. FERRIE: I cannot get the idea of why you have got a system and the system does not look after itself. What are they trying to get? Are they trying to get the premiums down; or what is the idea? Are they taxing one class of people to give a benefit to another class of people?

The CHAIRMAN: You would have to ask the same question about the unemployment insurance scheme in Canada, because it is also tripartite.

Mr. SHAW: Is not Mr. Ferrie talking about the further supplementary payment made by the exchequer?

The CHAIRMAN: Are you talking about the state grant or the supplementary payment, Mr. Ferrie?

Mr. FERRIE: The supplementary. It comes from some place—it must come out of taxation. It is a three-way proposition—and that is O.K.—but what are they doing with this other one—that is what I want to know—what is the other payment for?

Mr. KNOWLES: Is not the confusion over the word “supplement”? I think Mr. Ferrie has in mind, by using the word supplement, that the government is paying a contribution supplementary to what the government has paid? What is really meant is the government is paying a contribution supplementary to that paid by the employer and the employee?

Mr. LAING: Do they not underwrite the scheme?

Mr. BROWN: They make a contribution to the tripartite scheme and then, in addition to that, they contribute toward any deficit.

Mr. FERRIE: That is what I want to know.

The WITNESS: May I try and clarify the point. In some countries it has been government policy to provide government subsidies to insurance schemes. There have been different techniques employed to provide such subsidies. In the case of New Zealand they make an annual appropriation from the consolidated revenue fund to supplement the money they receive from the social security contribution. In Britain they have also decided to provide a certain amount of government financial assistance. They have decided to provide it in a certain way; they have set up a tripartite contributory scheme which is not changed every year but only after a review every five years, and certain fixed amounts are set for an employed person to pay; certain fixed amounts are set for his employer to pay; and certain fixed amounts are set as the state contribution. In the case of the self-employed a certain fixed amount is set for a self-employed person to pay and a certain fixed amount is set for the state contribution; and the same is true for the non-employed groups. In addition to this contributory plan in the light of the current needs, the exchequer pays an annual grant. With these fixed allotments it is not always possible, because of factors such as the fluctuations in employment and income, to get the actual amount in the fund that may be needed for current expenditures, by providing for this additional amount from the exchequer the government can, from year to year, make sure that the national insurance fund (current) has sufficient funds to finance the scheme.

Mr. BROWN: Before you go any further, can you tell us what these additional grants that you are talking about have amounted to for the past three years?

The CHAIRMAN: It is a new system.

The WITNESS: We have no experience for the past but I can say, Mr. Brown, that we will come in a few moments to a table which will show the actuarial estimate for the future and which will give us some idea of the commitments that the actuaries expect in the future. With your permission, Mr. Chairman, we might turn to pages 36 and 32, and then come back to page 13 when we have cleared up this point. You will note on table 2 of page 26 that the item retirement pensions estimated for 1948 was 238 million pounds. You will notice how it goes up in 1958 to an estimated 301 million pounds: in 1968 to an estimated 421 million pounds; and in 1978 to an estimated 501 million pounds.

I would like to give you another figure while we are looking at this table. The expenditure, as far as we know now, is 253 million pounds for 1949.

Mr. MACINNIS: There is a table on page 32.

The WITNESS: I was just coming to that. If you will turn now to table I on page 32 you will see the actuarial estimates of total exchequer costs. The last line on this table gives the total exchequer costs—a combination of items (a) and (b) above. Item (a) is the exchequer supplement to the other contributions that are made, item (b) is the annual grant. Now if you add the supplement and the annual grant you will see that the actuarial estimate for 1948 was 118 million pounds. Now the amount spent in 1949-50, so far as we know, was 141 million pounds. This figure is not shown in table I.

Mr. BROWN: Can you transpose that into Canadian dollars?

The WITNESS: 118 million pounds at the current rate of exchange would be \$363 million. Then, looking at the year 1978, you will notice that the amount is 416 million pounds or, in Canadian terms, \$1,281 million.

You will see that over the thirty year period of this estimate—from 1948 to 1978—the proportion paid by the exchequer of estimated expenditure on benefits rises from 26 per cent to 56 per cent. In other words, out of the total estimated expenditure on benefits of 452 million in 1948 pounds, 118 million pounds represents 26 per cent. In 1978 of the total of 749 million pounds estimated expenditure on benefits, the exchequer will pay 416 million pounds, or 56 per cent. You can see that the exchequer's share of the cost both from the supplement and the annual grant is increasing very considerably over the period.

Dr. DAVIDSON: May I say a word at this point? I think what is puzzling the members of the committee and what, I must confess also puzzles me, is if by this system of the exchequer supplements you could expect that after a certain transitional period you would get to the point where the system of tripartite contributions would support the payments, you would no longer require the special annual grants from the exchequer, then you could understand this two-fold system of contribution from the exchequer. However, when the figures show there is always going to have to be a supplementary grant from the exchequer in addition to this so-called exchequer supplement then, I think the members are asking themselves why should we go to the trouble of calculating this in such a complicated way when, in the final analysis, the government is going to come along and put in more money.

I may be wrong but I suspect the answer to the question lies in the tradition of the past programs in the United Kingdom, and in the psychological attitude which has developed on the part of the United Kingdom people towards their social insurance programs. They have been, for years, operating on a tripartite basis. They like to think of the three-way contributions, but, from our point of view, starting the thing in completely fresh, we say the simple thing is to get the

contribution from the individual and from the employer, and have the exchequer pay the balance. I think the United Kingdom people with their adherence to tradition like to keep this idea of a systematic tripartite contribution that can be related on the employer, employee, exchequer basis. Since that does not make up the money, the exchequer comes along in the final analysis and makes a specific allotment for the purpose.

I think the point is a psychological one rather than one of any other significance.

Mr. FERRIE: When you look at this right now, as an ordinary business man, you would say that the system was broke? You would come right out and say this system was broke.

Mr. CORRIE: It is an entirely different approach from that of the United States.

Mr. FERRIE: If that is the product of a socialist order then, the sooner they get out of it the better.

Mr. KNOWLES: Do you say that the unemployment insurance fund was broke last winter when the government amended the Act?

Mr. FERRIE: Yes.

The CHAIRMAN: Mr. MacInnis had a question I believe?

Mr. MACINNIS: Mr. Chairman, I think it would be well to try and get at the basic reason for social insurance. Is not the basis the fact that we have found out that the majority of people do not receive incomes that will enable them to provide the social services that have now become commonplace; and the state has to step in to provide some of the social services by contributions. If people cannot provide social service by themselves it obviously follows that the state cannot take contributions from those people to provide the same service. As it is surmised that people who get low incomes produce a large measure of the wealth, what is being done here is to shift the burden for social service to those who have the ability to pay.

The CHAIRMAN: That is partly true—it is true to a certain extent.

Mr. LAING: That is the only construction you can put on the figures rising from 26 per cent to 56 per cent unless you put on the other construction that the state, away on in the future, will be able to assume more of the burden.

The WITNESS: Well, Mr. Chairman, we have had a number of reasons given here as to why they might have followed this course. Dr. Davidson has suggested certain psychological reasons; Mr. MacInnis has suggested that they wish to spread the costs to the higher income groups by allowing a larger sum to be voted out of the consolidated revenue. I think I might add one comment and turn back to our previous discussion.

On page 37 mention is made that the main factor in the increasing cost is the old age retirement pension. I think this is a pertinent point since we are discussing the retirement scheme. If you look at the chart following page 36, you will see that it is the retirement scheme that is going to increase this cost. I recognize that this point is not suggestive of the basic reason why they finance the program the way they do, but I raise this fact to show why the cost is going up; it is the cost of the retirement scheme. Apparently as the cost of the retirement scheme goes up they plan to pass that additional load on to the exchequer, rather than to make steady increases in the basic rates.

Hon. Mr. DOONE: At page 32 of the brief these words appear: "Nevertheless, the flat rate contribution falls heavily on both the employed and self-employed of low incomes." There is your purpose.

The WITNESS: Mr. Chairman, I mentioned that fact in my early comments. It is generally conceded that the flat rate contribution does hit heavily upon low income groups. If it were a graded scheme of contributions it would be

possible to place a much lighter burden on the lower income groups. On the other hand, after making that observation, I added that when you come to the benefit side of the picture, the flat rate benefit is usually more generous to the low income groups—for instance, when the benefit is expressed as a percentage of their previous wage. Therefore, while they lose out on the contributory side they gain on the benefit side. I think it is important to keep this in mind.

The CHAIRMAN: It is always possible to have a scheme under which contributions are paid as a percentage and in which you can still have flat rate benefits.

Mr. KNOWLES: What happens here is a sort of compromise on the payment side which will eventually be fifty-fifty—50 per cent on the flat rate basis and 50 per cent on the income tax basis—after all that is where the exchequer gets most of its money.

Mr. BROOKS: That is where we get most of ours for our old age pensions.

The WITNESS: Well, Mr. Chairman, we were looking at the table on page 13. I would like to mention that in 1951 they propose to increase the basic rate by 4d. a week for insured men and women, the addition being allocated equally between insured persons and employers in the case of employed persons. They intend to do this to try and offset the increasing burden on the exchequer.

A very important feature in considering the question of comprehensive coverage is the provision for credited contributions. Full-time students and unpaid apprentices may be credited contributions. This will count as a part of their contribution record the same as if they had contributed to the scheme during the period of credited contributions.

Mr. FLEMING: Is there any age limit on students?

The WITNESS: I understand that the age limit is before attaining the age of eighteen, except for full-time training under government sponsored programs.

Mr. BROWN: What do you mean by government sponsored programs?

The WITNESS: I am afraid that I will have to get the detail on that point.

Mr. FLEMING: What is the position of a university student over eighteen years of age in regard to contribution?

The CHAIRMAN: Mrs. Hurst may answer if you wish?

Mrs. Flora HURST (Senior Research Assistant, Department of National Health and Welfare): A university student may pay a voluntary contribution as a non-employed if he wishes, in order to have paid contributions for reasons which will come out later. He may get from his local insurance office an exemption because he is not earning; and then if he had been employed he is credited with contributions, if he has that exemption as a university student, the same as he would if he were a self-employed of low income or a non-employed person. There are the two courses—voluntary payment as non-employed or an exemption because he is not earning.

The WITNESS: In addition to full time students and unpaid apprentices, credited contributions are provided during periods of unemployment or incapacity. In other words, it is possible for a person who becomes ill, or for a person who becomes unemployed to continue his contribution record without a break by means of these credited contributions.

By Mr. Brooks:

Q. But does he have to make them good later on?—A. No. It is unnecessary for him to make them good later on. He is relieved of the responsibility for contributions during the period when he is incapacitated, or unemployed.

The special arrangements for married women should be noted. On page 15 you will see there are two main principles: first, that no married woman should be compelled to pay contributions; and second, that a woman should not, by marriage, forfeit any insurance rights already acquired if she wishes to retain

them. In the majority of cases married women receive pension rights as the spouse to an insured man. But if the married woman has been working and if she wants to be insured in her own right, she has that option. And there are some instances where it may be to her advantage to be insured in her own right.

For example, as an individual insured in her own right, she would be entitled to a higher benefit; her retirement benefit would be 26 shillings; but, as the wife of an insured person, she would only be entitled to 16 shillings. There is a case where a wife may be older than her husband and may be gainfully employed throughout her normal working life; it may be to her advantage to pay contributions and to receive insurance benefits in her own right.

A gainfully employed wife of an insured man can be excepted from paying contributions if she does not desire to carry on insurance in her own right; but if she is an employed person, the employer must pay his contribution on her behalf.

With regard to basic benefit rates, I mentioned earlier, that they have established for the most part uniform rates of benefit under the main income maintenance programs. Previously the contributory old age pension was 10 shillings a week and the unemployed insurance benefit was more than twice that amount. Under the new legislation, in fact since 1946, they have been paying a more liberal benefit in the case of retirement of 26 shillings for a single person, 16 shillings for a wife, and 42 shillings for a married couple.

They have been under pressure for an increase in this basic rate, and the suggestion has been that the matter should be left until 1951, at which time they plan to review their benefit rates. There has been a considerable rise in the cost of living since the existing rates were put into effect in 1946 and that of course has led to considerable agitation for higher benefits. The government has been able to argue that the beneficiaries under this scheme can apply under the National Assistance Program if further supplementation is required in needy cases, and to a considerable extent the national assistance program has helped this situation. As I mentioned earlier, in a 5 per cent sample study, they found that 12 per cent of the people under the new compulsory insurance scheme were also recipients of national assistance.

Provision is now made whereby a pension of 7s 6d a week may be payable on behalf of the first child under school leaving age who is a dependent of a pensioner. In Great Britain the fact that family allowances are payable after the first child does much to explain why the special provision is set out in the case of the first child.

I would like to mention here the full pension rates as a percentage of the average wage paid in manufacturing industries as of April 1949. This is a question about which I had enquiries for some of the other countries and I think it might be of interest to the members. In the case of the 26 shillings basic pension, it represents 23 per cent of the average wage in manufacturing industries. The 42 shilling pension for a man and his wife, represents 37·2 per cent of the average wage. That compares with figures for Canada for April 1949 of 21·9 per cent in the case of a single person; and in the case of a married couple the pension is 43·8 per cent of the average wage paid in industry.

By Mr. Knowles:

Q. Speaking of the maximum pension in both cases?—A. Yes. I think it is important to note in the case of wives of pensioners which is discussed on page 18 and to which I have already referred, that the amount of pension for the wife is less than the amount of pension for the husband.

As we know, in Canada we pay the same amount for the wife as for the husband. But in Great Britain they have provided a differential and they treat

husband and wife as a team. As I mentioned earlier, provision is made whereby the wife receives her benefits in lieu of the husband's contribution to the insurance fund.

By Mr. Fleming:

Q. That is typical of their taxing legislation all the way through?—A. Yes.

By Hon. Senator King:

Q. Suppose a wife is working and earning and pays into the fund. Where does she stand in comparison with her husband?—A. If she is 65 years of age or over and gainfully employed, it does not affect the situation. But if she is under 65 years of age there is a limit of 20 shillings a week; and if she earns more than 20 shillings, then her retirement pension is reduced to the extent that she earns above 20 shillings.

Another important feature in the British legislation is the retirement condition. They have set two retirement conditions; one with respect to the amount of gainful employment which a retired pensioner may accept, and the other with respect to the earnings he may receive.

When he is approaching pensionable age, if he wishes to retire, he must give notice of his intention to retire. He does this a few months previous to his actual date of retirement. If he wishes to continue working while receiving his retirement pension he is limited to 12 hours a week or one-quarter of the normal work week in his particular occupation, whichever is more favourable to him. When he reaches age 70, or in the case of a woman when she reaches age 65, those retirement conditions do not apply.

With respect to the earnings limitation, men are allowed to earn 20 shillings a week during ages 65 to 69 inclusive; in the case of women the ages are 60 to 64 inclusive. If he or she earns more than 20 shillings, then the amount of the pension is reduced to that extent. That means that the retirement pension is payable in the case of a man at 70 years, and in the case of a woman at 65 without retirement condition either as to the number of hours of gainful employment or as to the amount of earnings. But in the five earlier years there is a reduction in the amount of pension if the individual earns more than 20 shillings, and there is a definite limitation as to the number of hours of work.

By Mr. Knowles:

Q. The earnings that are taken into account in that manner are, I take it, earnings from doing some work. But suppose a person had some savings, would the income therefrom be taken into consideration in that way?—A. I understand that they are fairly generous in their provisions in that regard. As far as I know earnings would only include, for instance, salaries and wages from gainful employment and they would not include, for instance, any assistance which the individual might receive from other sources such as assistance from relatives. This condition really applies to the earnings of an individual who goes out and takes a job; it is a retirement condition which limits the amount of work and earnings from that work whilst receiving a pension.

By Mr. Fleming:

Q. And what about investment income?—A. Investment income is important in the case of the non-employed.

Q. No. I am speaking of the employed?—A. As far as I know in the case of the employed or of the other two classes for that matter investment income would not be earnings in the sense it is used as applied to the retirement condition.

By Mr. Knowles:

Q. I take it that the purpose is to discourage people of that age from taking jobs, but not to discourage thrift or savings?—A. That is correct. It is not to discourage thrift or savings. But it is also to encourage part-time work.

Mr. FLEMING: It does not encourage capitalistic accumulations, however.

By Mr. Knowles:

Q. It is not intended to discourage people from working altogether, because it is intended to encourage part-time work?—A. That is right. So far I have been talking about maximum pensions under the insurance scheme. Now, it is possible that an individual may not receive a maximum pension because he has low yearly average of weekly contributions. If you will turn to the table at the top of page 21 you will see the way in which they reduce the maximum rate in accordance with a sliding scale; you will note the importance of the average contribution record of a pensioner.

Take for instance the contributory experience of an individual who has contributed, let us say, a yearly average of 50 weekly contributions over the period he has been covered under the scheme; he will receive a full weekly rate. But if for instance he has a yearly average of 48 or 49 weekly contributions paid or credited, he will only receive a pension of 25 shillings; and you will note the last line at the foot of the table which indicates that any person who has received under 13 paid or credited contributions will receive no benefit. Thus there may be a group here who will be disqualified because their yearly average of contributions is too low. This is another reason why the scheme is comprehensive, but not universal in coverage.

Q. All the more reason why they need the national assistance.—A. The next feature we might discuss is the question of deferred retirement. I mentioned earlier that in the White Paper they suggested one shilling a week for each year of deferred retirement. The present Act provides one shilling a week for each six months, which means in effect two shillings a week for each year of deferred retirement. That, I think, gives a very substantial bonus over a five year period for deferred retirement. Take the case of a man who defers his retirement from 65 to 70. He would receive 36 shillings a week rather than 26 shillings a week which is his basic rate. And if he is married he would receive an additional 10 shillings on behalf of his wife raising her pension from 16 shillings a week to 26 shillings a week. So that you would make a fairly generous provision in the case of a married couple who deferred retirement for five years.

By Mr. Fleming:

Q. I presume that does not involve any deliberate or formal exercise of option on his part. It is just a matter of withholding application of benefits until they reach a settlement?—A. That is right. If he retires at 70 years of age, during the period from 65 to 69, while he was working he would be contributing as well. But at 70 he stops contributing, even though he may carry on working. Although he continues to contribute between 65 and 70 he would probably gain on balance, because he would get an added amount in his retirement pension.

Q. I am thinking of a man who at 65 decides to go on working for another 5 years; but at the end of two years he feels he is not able to do so and retires. He has lost his benefit for two years in doing that?—A. If a person retires, let us say, at 65 and does not claim his benefit, he would be very unwise. One of the requirements in applying for pension is that application should be made within four months of retirement. I understand that he has to make his applica-

tion anyway, even though he does not plan to go on working, and even though he retires but does not elect to accept the benefit.

Q. The case I had in mind was of a man who carries on with his work to the age of 67 hoping to be able to continue with his work until 70 years of age and thereby get the larger benefit. But he finds that he cannot make it, and he retires at 67. Therefore he has lost 2 year's benefit, has he not?—A. You mean he has lost 2 years?

Q. Between 65 and 67?—A. No. He gets 2 shillings a week for each year of deferred retirement. At 65 he gets the basic rate and if he defers until 66, he gets 2 shillings a week additional, one shilling a week for each six months of deferred retirement. Therefore, for each six months he defers, he gets an added amount.

Q. Yes; and from that point forward?—A. Yes.

Q. But he does not get anything to compensate him otherwise for having foregone his benefits at 65 for those two years.—A. Yes. For foregoing the basic pension for those two years he would receive an extra 8 shillings, 2 shillings a week for each year which he has foregone those benefits. He will not get any further credit for the 2 years during which he received no benefit.

Q. All right. So he gets an increased benefit at 67?—A. Yes.

Q. And I take it that it would depend on how long he lives after that date whether he will make up what he has lost between 65 and 67 on that settlement. Nothing comes back to him?—A. You are quite correct as to whether or not it would be worth while for him to hold-off for two years because of this added amount would vary in individual cases. It would depend upon how long the individual lives, and whether or not he had employment.

Before we conclude, Mr. Chairman, I would like to mention that in their calculations of the extent of deferred retirements, they estimated that 40 per cent of the people would retire at 65, 30 per cent would retire between the ages of 65 and 69, inclusive, and that the remaining 30 per cent would retire at 70 years of age or over.

By the Chairman:

Q. What would be the retirement age for a farmer who lived with his son on the latter's farm and worked with him? We have many of them in Canada.—A. Is he gainfully employed?

Q. Not necessarily. His son gives him some money, of course, for clothing. His son feeds him, and he has his board and shelter. And the son provides him with tobacco.—A. If he had contributed and built up his contribution right, then, if he retired, and assuming he did not work more than one-quarter of the normal working week in his occupation, and provided his income is not in excess of 20 shillings a week during the period between the ages 65 and 69, inclusive, he would receive the benefit. If he had earnings which exceeded 20 shillings, his benefit would be reduced. But at the age of 70 he would automatically get his retirement, regardless of any income he might receive.

Q. But suppose at the age of 65 he gives his farm to his son? Suppose he gives away his income?—A. As I understand it—

Q. Oh, well, 60 per cent of the farmers in the province of Quebec do that.—A. My understanding would be that under those circumstances he would probably receive the benefit, but I could not say for certain unless we checked the regulations very closely. And I might add in that regard that there are a very considerable number of interrelated regulations dealing with these various income maintenance programs.

Q. I see.—A. But I shall try to obtain an answer to that specific question.

Q. Yes. I would like to know what they do about it.

By Mr. Corry:

Q. Would the subsistence provided by the son be taken into account in the computation there?

The CHAIRMAN: I would not think so.

By Mr. Fleming:

Q. Do the local authorities under the British scheme have any part in the administration of that scheme?—A. The local authorities do not administer any of these three schemes which provide for old age income security. You have advisory committees at the local level, but it is a national scheme in the case of insurance programs and in the case of the non-contributory pension scheme, as well as in the case of National Assistance.

Q. Do you happen to know how many local offices are managed by local authorities in connection with the National Scheme in the British Isles?—A. We could provide that information.

The CHAIRMAN: You received this morning two folders, one containing briefs from two organizations that are going to be heard next week, with a third one. I would like to draw your attention to the fact, Ladies and Gentlemen, that those briefs are not to be released before the witnesses appear before the committee. It is the request of some of the organizations that they be not released, so I would ask for the co-operation of the members in that respect.

There is another folder containing correspondence with representations from the provinces. Is it the wish of the committee that that correspondence and those representations be tabled and printed as an appendix to this day's proceedings?

Mr. FLEMING: They certainly should be printed as an appendix today, or they could be put in at the end of the United Kingdom discussion next Monday.

The CHAIRMAN: Well, do you so move?

Mr. BROWN: I think they should be put in after we have got the different countries disposed of.

Mr. KNOWLES: Today's edition would be pretty thick anyway.

The CHAIRMAN: Very well, we shall put them in after the conclusion of the United Kingdom.

The committee adjourned.

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**JOINT COMMITTEE OF THE SENATE
AND THE HOUSE OF COMMONS**

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 12

MONDAY, MAY 8, 1950

WITNESS

**Mr. J. W. Willard, Director of Research, Department of National Health
and Welfare.**

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950



MINUTES OF PROCEEDINGS

MONDAY, MAY 8, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 4.00 p.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Hon. Senator King presided for a while, Mr. Lesage taking the chair later in the course of proceedings.

Others present:

The Senate: Honourable Senators Burke, Doone, Hurtubise, Vaillancourt.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brooks, Brown (*Essex West*), Ferrie, Homuth, Knowles, MacInnis, Macnaughton, Shaw, Smith (*Queens-Shelburne*), Weaver, Welbourn.

In attendance: Dr. G. F. Davidson, Deputy Minister, and Mr. J. W. Willard, Director of Research, Department of National Health and Welfare.

Mr. Willard was recalled and further examined on the Old Age Income Security Program in Great Britain. The witness was assisted by Mrs. F. E. Hurst, Senior Research Assistant.

Following the conclusion of his examination, Mr. Willard filed two memoranda on the Old Age Income Security Programs in France and Switzerland.

It was ordered that a copy of these memoranda be distributed to Members of the Committee and printed in Appendix to the Committee's Minutes of Proceedings and Evidence of Tuesday, May 9th.

The congratulations and thanks of the Committee were extended to the Research Branch of the Department of National Health and Welfare and to the witnesses and their assistants, for the excellent manner in which material had been prepared and submitted to the Committee.

The Committee then adjourned until Tuesday, May 9th, at 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
MONDAY, MAY 8, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 4 p.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. The Hon. Mr. King presided.

The CHAIRMAN: Gentlemen, we have a quorum and I think it is the desire of the committee to get on with their work. We shall go on now with an explanation of the social income security system in Great Britain.

Mr. J. W. Willard, Research Director, Department of National Health and Welfare, and Research Adviser to the Committee, recalled:

The WITNESS: Mr. Chairman and members of the committee, it is my understanding that the committee desires to complete the review of Great Britain today, so I will try to move along with my presentation as quickly as possible.

At the last session the Chairman asked a question with respect to deferred retirement in agriculture. I have been able to obtain a statement from The National Insurance Gazette of March 24, 1949, which is pertinent to that question and I would like to quote it so that it may be written into the record:

It will be seen that the definition of retirement does not necessarily mean complete and total abstinence from employment. A pensioner can, in fact, not only do some work after retirement, but also receive remuneration for that work, and remuneration up to a limit of 20s. can be received on top of the full pension. The Act refers to participation in a 'gainful occupation,' but the section dealing with interpretation does not define what the term 'gainful occupation' means. It must, therefore, be given its common or garden meaning, and that is to say, working for a profit. Remuneration not only means remuneration received in cash, but in kind also, and this can, of course, put an entirely different complexion on the case of an elderly person in, let us say, domestic service or living rent free in a cottage or smallholding or a farm as part remuneration in respect of the duties carried out. In fact, remuneration can be said to include any of the perquisites incidental to the employment.

Mr. Chairman, another question was asked last day with respect to the number of administrative offices under the National Insurance Scheme and I have that information now. As at July, 1949, there were 987 local offices; and as at March, 1949, there were 245 part-time offices. That is in answer to Mr. Fleming's question.

By Mr. Shaw:

Q. What was that word, please? Was it "officers", or "offices"?—A. "Offices".

Q. Officers and not officers?—A. "Offices". We had reached page 23 last day. To continue I might just say a word or two about the position of the late age entrants. Since this is a transitional problem under the insurance

scheme, I do not think it is a matter which should detain us; but I would mention that persons who were over the pensionable age in 1948 when the Act came into effect are not covered; and that the persons who were within ten years of the pensionable age but who had not contributed to the old age scheme have the option upon reaching pensionable age of continuing payments, or of taking a lump sum payment. This is an example under the British scheme where a lump sum payment may be made to a pensioner rather than a monthly payment. Other requirements under different situations for late age entrants are set out on pages 23 and 24.

With respect to claims for benefit, I think I mentioned the last day that persons are expected to lodge their claims for retirement benefit four months prior to their actual retirement; and even if a person intends to go on working after retirement age, he is expected to make this preliminary claim because sickness and unemployment benefits can only be paid after pensionable age to those whose right to a retirement pension has been proved.

With respect to widows' benefits there are three types and these are outlined on pages 24 and 25. I will not take up time now to discuss the amounts.

By the Chairman:

Q. When you say "their claims are proved", does that mean a means test?—A. No. There is no means test.

Q. No means test?—A. You will note, as well, that provision is made for death grants, which is set out on page 25. Now, with regard to the administration, the insurance program is a national scheme under the Minister of National Insurance. I have mentioned the number of offices; it is through the network of offices that the administration is carried out at the local level.

The functions of the National Insurance Advisory Committee are set out on page 26; and in addition to this Committee, the National Insurance Scheme has a large number of local advisory committees.

There is a headquarters office, and a large central record office where the individual contribution records are maintained. With respect to contributions, they are payable by means of insurance stamps which are purchased through any post office. An alternative means of making contributions is provided under a franking method. Individual insurance cards are maintained for each insured person.

The benefits are paid through the post offices. Each beneficiary receives a book of orders and from this book he can cash one order each week.

Provision is made for appeals. Tribunals have been set up. The advisory bodies and appeal provisions under the National Insurance Scheme are in many respects comparable to the Unemployment Insurance program in Canada.

If there are no further questions with respect to the administration, Mr. Chairman, we might move on to the section dealing with the financing of the program.

By Mr. Brown:

Q. Can these stamps that are affixed to the books be purchased in advance, or are they just stamps which are purchased at certain times?—A. The stamps may be purchased at post offices in advance.

Q. So if I so desire, I may pay up a whole year at any time?—A. If you were an employed person your employer would purchase the stamps and affix them to the book. If you were a self-employed person or a non-employed person, you would buy the stamps and affix them to the insurance card.

I think it is important to note that in the case of Great Britain it is not just a retirement scheme that is involved in the maintenance of the contribution records. Because of this fact a wide variety of benefits may be payable under the scheme and it insures willing participation in the scheme. For example, an

individual who may be young and may not be interested in retirement benefits, knows he may become ill, and need the sickness benefit, or that he may become unemployed and need the unemployment benefit. The fact that there are a number of related benefits which depend on the contribution record enables them to get more active participation in the matter of collections. You also get participation by the self-employed and by the non-employed in a way which you might not be able to get it if it were only a retirement scheme involved. Are there any other points concerning administration?

The CHAIRMAN: The time to ask questions is now. You may go on, Mr. Willard.

The WITNESS: With respect to the financing of the program, I mentioned the other day that there are two national insurance funds. One is a current account and the other is a reserve fund. With regard to the current account, the receipts of that fund consist of contributions from employed persons, self-employed and non-employed, together with contributions by employers on behalf of employed persons; and in addition to these contributions, the Exchequer makes a supplementary payment. Further, the Exchequer pays an annual grant into the current account fund; and finally, the interest from the reserve fund is paid into the current account. Expenditures out of this National Insurance fund include the cash benefits under these several income maintenance programs, some contribution towards the National Health service, and expenditures on administration. If there are any large balances built up in the current fund, they will be placed in the reserve fund. But as was apparent from our discussion of the other day, no balances have been planned for in the years ahead; so it is not expected—certainly in the foreseeable future—that the current account will be paying any moneys into the reserve fund.

With respect to the National Insurance Reserve Fund, it is a fund that was made up from the moneys in 13 separate accounts. These various accounts and the various schemes from which these accounts have come are set out in Appendix 5 on page 75. You will see that a wide variety of reserves was built up over a period of time in the various schemes in Great Britain prior to the introduction in 1948 of this new contributory program.

Now, what payments are made out of this National Insurance Reserve Fund? In the first place I have mentioned that any interest obtained from the moneys invested are paid into the current account. Secondly, capital transfers may be made from the reserve account to the current account. Such capital transfers can only be carried out by resolution of the House of Commons. The reserve fund provided an initial capital transfer of £100 million to the current account as a working balance.

They have not defined clearly the purpose of the reserve account aside from the fact that the interest is used in the current account. There has been no indication as to how they intend to use this reserve fund in the future. It may be, in a period of heavy unemployment when the charge upon unemployment benefits increases, and when the income from the contributions under the insurance schemes declines, that they will call upon this reserve account. But we have been unable to find any clear statement as to how this reserve fund will be used.

By Mr. Homuth:

Q. Have you any record as to whether that fund was exhausted? I think if you go back to 1933 you will see that the unemployment fund was exhausted and that they had to find money elsewhere.—A. The reserve fund they have now includes the balance that came from the unemployment insurance fund along with the 12 other funds which I mentioned. You are quite correct, Mr. Homuth; the unemployment insurance reserve fund became bankrupt

in the twenties and thirties but it was later stabilized; in the early forties the unemployment insurance fund completely paid off any debts that it had incurred through subsidies from the government.

By The Chairman:

Q. It was stabilized by subsidies from the government?—A. Yes. The Exchequer came to the support of the unemployment insurance fund by making loans to the fund. And since that time these loans have been paid back by the fund. In 1948 that fund, in turn, was placed into this new national insurance fund along with 12 other insurance schemes.

By Mr. Ferrie:

Q. Was it paid back with interest or without interest?—A. I am not sure whether they charged interest.

On page 32 we have set out a table on National Insurance Income and Expenditure. On the top line you will note how expenditures on benefits will rise from £452 million in 1948 to some £749 million in 1978. On the last line you will note how the cost to the Exchequer will rise from £118 million in 1948 to £416 million in 1978. Over a period of 30 years the amount financed by the Exchequer will increase from 26 per cent of the total benefit payments to 56 per cent. This point was mentioned the other day; and I would like to draw it to the attention of the committee again in order to emphasize that a very large amount of the National Insurance Scheme is being financed by the Exchequer over and above the amounts that are being paid by insured persons and by employers.

By Mr. Brown:

Q. Have you any idea as to the total expenditure of the government of Great Britain for, let us say, the year 1948?—A. Mr. Brown—

Q. I am merely getting at this to see at least what percentage of it is being paid out of the Exchequer, and to see how that compares with the total income of the country?—A. Mr. Brown, on page 37 you will see on the last line of table 3 that the Exchequer payments are shown as a percentage of total ordinary expenditures. This gives an estimate for the year 1949-50; it is not restricted to national insurance; it includes all their social security programs.

15.49 per cent of the total ordinary expenditures of the national government was going to the social security programs listed in the table. Would that figure be of value, or would you like me to pursue the matter further?

Q. This shows your total ordinary expenditures of the health service; but is that the percentage to the national income?—A. No.

Q. I must confess that I have not read this.—A. No. On table 3 the items included are listed.

Q. Yes.—A. The items listed are those to which the Exchequer contributes and you have the estimated amounts that the Exchequer will contribute. In addition to the cost for the national insurance item that is shown, there would be an amount paid by the insured persons and employers; so the items in Table 3 include only the Exchequer's share of the cost of all the social security programs including, for instance, family allowances, national health services, old age non-contributory pensions, national assistance, and the national insurance scheme.

Q. Are we to understand that 15.49 per cent of the national income or expenditures—if you like to put it that way—are attributed to national services

including national health and the insurance fund; all these that are listed here? Is that right?—A. Yes. Of the total ordinary expenditure of the national government 15·49 per cent was spent on these social services.

Q. Yes. I see. I think that answers it.

By Mr. Shaw:

Q. While we are on page 32, I notice reference to the flat rate contributions we spoke of last time. It says:

Nevertheless the flat rate contribution falls heavily upon both the employed and self-employed of low income.

Then you say:

Its effect is modified somewhat by the lower contributions and exemptions allowed for low income by the generous administrative provisions for crediting contributions under various circumstances, and by various adjustments as between benefits.

Is the use of that expression modified somewhat in the admission of it?—A. The fact is they do modify the flat rate. The other day when we discussed the contribution rates I mentioned that if an individual had a certain low income, he could pay less than the ordinary flat rate. That is why this suggestion has been made.

Now, in addition to that I would point out, Mr. Shaw, that Great Britain has a very steeply graded income tax which I think counterbalances the situation in terms of progressive taxation, if you will.

By the Chairman:

Q. I did not hear the first part of your sentence. They have in Great Britain, what?—A. They have a very steeply rising income tax which bears more heavily on the higher income groups; and taken along with the contributory insurance scheme, I do not think that these taxes taken together would be considered regressive.

By Mr. Brooks:

Q. That would be felt in the contribution from the Exchequer?—A. Yes. It would be felt in the contribution from the Exchequer and increasingly so as you will see from table 1.

(Mr. Lesage assumed the chair.)

By Mr. Brown:

Q. For the purpose of the record, have you got some idea of the rates of income tax in Great Britain?—A. If you will look at appendix 7 on page 77 you will see recent information, as of April 18, 1950, which was contained in the new budget. That gives for certain levels of income, the income tax and the effective rates. The amount charged for 1949-1950, and the proposed charge for 1950-51 are set out for all earned income and for investment income. Is that table useful for your purpose?

Q. Yes.—A. Mr. Chairman, I should mention that in making the actuarial estimates the age factor was a very important consideration. Although contributions from the initial school leaving age to retirement were estimated to meet full costs of benefits of people entering the scheme on school leaving age, the actual cost could not be met in this way because people insured under earlier programs were brought into the scheme at the beginning, and new classes—

self-employed and non-employed—were to enter at various ages, thereby increasing the costs of retirement pension. This additional burden was placed on the exchequer.

On page 36 there is a table on expenditure, and I would like you to note Item 1, retirement pensions. You will see for 1948 the estimate was 238 million pounds and that for 1978 the estimate is 501 million pounds. The retirement pensions increased from 53 per cent of the total cost of these insurance schemes in 1948 to 67 per cent in 1978. Now part of this rising cost is due to the fact that when the scheme came into operation there were many older people who would not contribute sufficient to completely take care of their retirement benefits and the exchequer is in effect subsidizing these people under the scheme. That to some extent explains the question that arose at our last meeting when I was asked why the exchequer was carrying an increasingly greater share. It is not necessarily an answer to why it is taking a larger share, but it does tell us that in their calculations they have endeavoured to set the rate so that it will take care of a person from school leaving age through to retirement age and pay him the pension rate now provided. It indicates that many people who were older than school leaving age on entry would in effect have a deficit because they would not have contributed for as many years, and the exchequer is endeavouring to make up this amount.

MR. HOMUTH: Is the advance or loan being made with the idea of getting it back; or is posterity going to pay the loss on those who are under the scheme now? Is the exchequer giving the money with the idea of getting it back; or is it really subsidizing it?

THE WITNESS: I would answer your question this way, Mr. Homuth. The exchequer is making up the balance year by year as it is required. As the additional cost mounts the exchequer is trying to take up the slack and that means the money is coming out of general taxation at the particular time.

MR. SHAW: It is not a loan; it is a straight subsidy payment?

THE WITNESS: That is correct.

By Mr. Brown:

Q. Well, in 1948 the amount was 118 million pounds, but in 1978 it will be 416 million pounds. The income tax to raise 118 million pounds, as of 1949, on an income of 1,000 pounds is 265 pounds 10 shillings. So, if the total exchequer costs are going to rise from 110 million pounds in 1948 to 416 million pounds in 1978 there is not much hope of a reduction in the income tax, would you say?—A. Well, Mr. Brown, that would depend on a number of factors. Its real burden would depend upon the increase in the average man-hour productivity in the period. It would depend upon other expenditures such as national defence, and so forth; there would be other charges upon the national revenue than social security alone.

Q. Yes, but even the contributions by the exchequer are raised from 118 million pounds to 416 million pounds in a period of thirty years. No matter how you cut it it is about three and a half times larger an amount, as I figure it?—A. You are quite correct, Mr. Brown in saying that the amount that will have to be met out of general revenue will increase very considerably in the next thirty years.

Q. I am considering that the other expenses of the country will go on?

MR. WEAVER: All of the increase come out of the exchequer?

THE WITNESS: Yes, you can see that they plan to pay most of the added cost, as I said before, from general revenue. As you say, Mr. Weaver, the exchequer is going to take most of the added burden.

Mr. HOMUTH: Should not that burden lessen as time goes on and as these people who have not contributed die off? If the scheme as worked out there is actuarially sound, with respect to the amount of contribution from the individual, the government, and so on, when the burden should lessen rather than increase as times goes on. Why is it that it contemplates such a tremendous rise?

Mr. MACINNIS: Before Mr. Willard answers the question I will say this. Surely we cannot at this particular moment state whether a higher amount is going to be a burden or is not going to be a burden in 1978. It will be a burden if the national income remains as it is now, but, if the national income has increased in the same ratio, there will be no more burden than there is today. Should the national income increase to a greater extent there will be a lesser burden. I do not think there is any use talking of 1978 here.

Mr. BROWN: Have you any figures, Mr. Willard, to indicate how much of the national revenue is derived by income tax at various levels—say 200 pounds per annum, 400 pounds per annum, and 800 pounds per annum. 200 pounds would be roughly \$600 in our currency and 1,000 pounds would be roughly \$3,000 and so on. Have you any idea of how much income tax is collected from different classifications or levels of income?

The WITNESS: We will try to obtain that information for you.

The CHAIRMAN: Would you go back to Mr. Homuth's question, Mr. Willard?

Mr. BROWN: Oh, I am sorry I interrupted.

The CHAIRMAN: It is quite all right.

The WITNESS: In most countries we have found that the cost of old age retirement is going to go up owing to the maturing of an insurance scheme and/or to the increased number of persons that will have to be taken care of in future years. On the other hand the cost of other income maintenance programs are at a fairly stable level. For instance, they can predict fairly accurately what the cost is going to be with respect to a program such as family allowances; there may be some variation owing to changes in the numbers of persons in the lower age groups. In the case of old age, in nearly every country we have studied, we find the cost is increasing in the next two or three decades—and that is so in the case of Great Britain.

Now Great Britain had a choice of either increasing their contribution rates year by year as that cost mounted or of increasing the treasury contribution year by year. They have said that in 1951 they will make an adjustment upward in the basic rate. It will be 4 pence for an insured man, for instance. Beyond that they have planned to make up most of the additional expenditure by means of subsidies to the scheme by the exchequer. That is the policy they apparently plan to follow. In a few years they may feel they want to raise more by means of contributions or perhaps less. I have stated the policy as it is at the moment.

Mr. BROOKS: At the present time they have two systems—the contributory and the non-contributory systems. The reason why the exchequer is paying so much more in years to come is that they are absorbing the non-contributing system and the actual result in the end will be that the government is not paying any more than it is paying at the present time. They have not a universal coverage at the present time, as they expect to have in years to come.

The WITNESS: I think that is a good point. They are picking up in this insurance scheme a large number of people who are quite a long way along towards their retirement whereas heretofore the exchequer would have contributed to the support of a number of those under the non-contributory old age pension scheme. For instance most persons now 55 years of age or less will be taken care of eventually under the contributory retirement scheme.

Mr. KNOWLES: Might it not also be noted this system could be described as in part social insurance and in part social security.

I had in mind the distinction Dr. Davidson made the other day in general terms that a social insurance scheme is one in which the people pay a contribution and get a benefit that is related in some way to that contribution. Whereas, social security plans involve payment out of general revenue and universal coverage. It seems to me they have combined the two. Payments are made in by individuals and there is some relation when the benefits come; but the amount paid in does not provide sufficient coverage and actually you have social security represented by the amount that comes out of the general revenue rather than being paid by the exchequer.

The WITNESS: It is not social insurance in the sense that the actual amount that an individual contributes will be reflected in the amount of his benefit; nor will the duration of his contribution be reflected in the amount of his benefit. On the other hand, you can get almost any variety of combinations—from a strict social insurance scheme where the individual benefit is directly related to his contribution and where the state does not make any contribution, to the general contributory system where the benefits are not in any way related to the contributions paid out but only used as an earmarked tax method of raising funds for that system, and where the treasury or general revenue may carry a large or a small amount of that cost.

You can come to a scheme such as this, where they have carried over one of the old social insurance ideas, which they had under the unemployment insurance scheme, of tripartite contributions with eligibility for benefits and the amount a flat rate benefit, determined by previous contributions. Under the present scheme in Britain they are introducing a larger contribution on the part of the exchequer, whereas, in the case of the old employment insurance scheme after the government paid its share under the tripartite system it was through; but when, during the depression, the fund went in the red, the exchequer loaned that fund money which was paid back later. The British scheme is getting away from the more rigid type of insurance program to a program where the treasury is subsidizing the scheme year by year; with the result that as the need for funds increases the treasury may have to increase its contribution and, if in a particular year the need declines, the treasury may be able to pay in less.

There will be this flexibility of the exchequer's contribution into the fund.

By Mr. Weaver:

Q. Would it not be correct to say the trend is away from the contributory system rather than towards it?—A. I do not think it would be correct to say that generally. I think it would be correct to say that in the case of Britain the trend is toward a greater amount of participation by the exchequer, having in mind of course that the exchequer in turn obtains its money from general revenue.

Q. Well, what is the difference?

Mr. SHAW: The effect of it is as Mr. Weaver asserts, although the policy makers may not be prepared to admit it.

Mr. KNOWLES: The difference is the portion collected from the people by one branch of the exchequer, in terms of receipts from insured persons, is on a more or less flat rate, whereas the portion collected from the same people by way of general revenue which comes mainly from income tax, is on a different rate? The tendency seems to be toward increasing the amount of cost of this that is borne by the income tax structure.

Mr. WEAVER: That is what I said.

Mr. BROWN: The small people are going to have to pay it.

Mr. FERRIE: Really and truly get down to the bottom of it, it is making really a small donation to the fund. If the donation is too high no one will participate.

They would want to drop it, so they make the contribution through a hidden tax.

Mr. BLAIR: The scheme does not support itself. The balance required is made up out of funds provided by the government.

Mr. FERRIE: It is like buying a suit of clothes—you pay an 8 per cent tax which you do not see but, if they told you you were paying 8 per cent you would certainly kick.

The CHAIRMAN: There is an old French saying:

Ce qu'on ne sait pas ne fait pas mal,—what one does not know, one does not care.

Mr. FERRIE: What the eye does not see the heart does not grieve over.

Mr. BLAIR: It will hurt when you pay the income tax?

The WITNESS: I would add that it has been traditional in British social insurance to have contributions. Lord Beveridge has argued that it is important, for psychological reasons, to maintain the contributory feature. The individual will associate what he receives with the fact that over a number of years he has paid toward that particular benefit with his contributions. Benefit is received as a right and not as charity. In addition, the fact that social security schemes are so costly means that most governments have tried to introduce some contributory feature which relates benefits to those contributions as a means of taking all or part of the burden off the general revenue and of introducing a measure of responsibility with regard to demands for higher benefits. I think you will find in different countries that there have been trends both ways. In some cases, the proportion of contributions total revenue is being reduced to some extent and general revenues are taking over a larger burden as social security schemes are extended. I think it is true that in other countries where general revenues have been carrying the load, for instance where they have had non-contributory old age schemes, some have decided to introduce a contributory feature in their social security program.

Mr. SHAW: Mr. Chairman, knowing Lord Beveridge as I do, it would not only involve the psychological feature but it could involve further control over the individual through his having to contribute, no matter how small the contribution.

Mr. FERRIE: It is not too bad as far as the three way contribution is concerned, but when you get to the supplement, that is the killer; the government has to put in more money after they have already put in a stated amount. They match, as you might say, the other two payments and then they put in a supplement. I cannot understand how they get this supplement.

Mr. BROWN: Do we understand then that this contributory system is merely a contributory system in name—obviously so because the total expenditure of this fund from the exchequer rises from \$363 million in 1948 to a proposed expenditure of \$1,301 million in 1978—I have transposed the figures into Canadian dollars. This is not truly a contributory scheme; it is based on the fact that general taxation is going to have to bear the brunt of the benefits paid out?

The WITNESS: Well, Mr. Brown, we have examined a number of schemes. There is for example, the New Zealand scheme where they have a contributory feature. Each year they appropriate from general revenue a certain additional amount to make up the balance between the amount they raise from social security contributions and the amount they need for the payment of their social

security benefits. Would you not agree that in this regard the British scheme is not much different in so far as the current national insurance account is concerned.

In other words there is a very definite contributory feature in it, which at the present time is raising a large proportion of the money; and in addition the treasury has to put in a substantial annual amount of money through supplements and grants but in the case of Britain the amount the treasury plans in future to put in will increase its share considerably.

Mr. BROWN: Well you have asked me a question—do I think it is really a contributory scheme?

The WITNESS: Well it is by and large a contributory scheme but it is not a contributory scheme in the same sense as at present our unemployment insurance scheme. There are contributions from three parties—the government, the employer and the employees, but in addition, the treasury is going to have to increase its expenditures from \$363 million to \$1,301 million.

Mr. MACINNIS: I think Mr. Brown is not thinking of the fact, when he compares this fund with our unemployment insurance fund, that our unemployment insurance fund does not bear the whole cost of unemployment. It only bears the cost of unemployment based on the contributions and then, if a person is unemployed for a longer period than is allowed, the cost of his keep is paid from some other source and that cost will increase as unemployment increases.

Mr. BROWN: I cited the unemployment insurance fund because it is a contributory scheme. There is no additional contribution to the unemployment insurance fund made by the treasury of Canada.

Hon. Mr. KING: Is it not the hope that in the course of years the contributory system will be able to take care of itself?

Mr. BROWN: It is going to increase in cost from \$363 million to \$1,301 million.

Mr. HOMUTH: I agree with Mr. Brown and I still have not had an answer to my question. I think the logical answer concerns those who are now in the scheme and have not made their proper contribution—which they would have to do under an actuarially sound scheme. As they die off the cost to the treasury ought to be less. Instead of that the cost to the treasury is growing and I cannot understand that?

The WITNESS: Well, Mr. Chairman, may I say this in answer to Mr. Homuth's point. While the cost will increase considerably because of, among other reasons, the increased number of aged up to 1978, it will level off and perhaps decline to some extent after that. Any further aging of the population may be stabilized before that time. The scheme also may have matured, shall we say, in another forty or forty-five years. At that time they may be at the stage where the total benefits received under the scheme will most closely reflect the amounts that the individuals have paid in. The British have built into their scheme a plan whereby the exchequer will carry a considerable part of the cost while the scheme is maturing.

I think Mr. Brown's point of comparing it with the unemployment insurance is of interest because it shows a change, at least in some respects, in the British approach from the old unemployment scheme for example to the present national insurance scheme. The former unemployment insurance scheme was in many ways similar to the one we have in Canada, where the contribution rates paid by the employer, the employee, and the state were fixed; they are determined on an actuarial basis which depends among other things upon estimates of what the rate of unemployment will be. Having determined the contribution rates that will be necessary for certain benefit rates they then carry on without the need of further supplementation unless the estimates prove to be unsatisfactory.

Under this approach the state will contribute to this scheme a certain fixed proportion and if the scheme needs additional funds in order to finance the unemployment benefits, then the rates may have to be raised.

In Britain they have come from that type of insurance scheme to the existing national insurance scheme in which they have maintained the tripartite contributory mechanism but where in addition they have built into the scheme an annual Exchequer grant. Now, whether this new approach is more favourable or less favourable, it is not my place to say.

By Mr. Brown:

Q. That is why I was interested in finding out who was going to pay this money into the Exchequer. Would it be the persons of high income or the persons of low income?

The CHAIRMAN: Obviously it would be the government for some years from now.

By Mr. Brown:

Q. But I have been told that today there are very few of high income; so it is really the people who are paying it themselves, is it not?—A. The balance that will be paid from the Exchequer will be paid by the people who pay income tax and other taxes of the national government; and it will depend on the tax structure in a particular year, as to how that burden is shared. We have estimates of what the cost is going to be, but it will depend upon the actual tax structure at any given time as to how that burden will be adjusted throughout the country.

As I mentioned before, with respect to the actual burden of the cost of social security on the nation it will depend upon other matters, too, such as the increase in average man-hour productivity. If productivity increases over a period of time by a certain amount, the burden of the income tax and other taxes will not be as heavy as it otherwise would be.

Q. But let us suppose we have a period of recession—that is something which used to be called a depression—and the national income is decreased; what would be the possibility of paying these benefits?—A. Mr. Chairman, if they had a recession, it would again depend upon government policy as to whether they wanted to reduce the benefits or to maintain the existing benefits through deficit financing.

By the Chairman:

Q. Or increased taxation?—A. Increased taxation would be another alternative, yes.

Q. Those are the three ways?

By Mr. Brown:

Q. How can they? They cannot take what they have not got.

Mr. BLAIR: I thought you were speaking about a recession?

Mr. WEAVER: All these schemes that we have covered are part contributory, while part is paid for by the Exchequer, although combined in a different way; and we are merging now into the two different rates. I think that the British scheme moves over towards a non-contributory system in the extreme when compared with the one we studied from the United States which went towards the direction of a contributory scheme in the extreme. I think they are both fundamentally different. Is not that correct?—A. There is another cross-current there. The British are trying to get away from their non-contributory scheme which they introduced back in 1908 and they are trying to place the whole burden as far as they can on their insurance scheme.

By the Chairman:

Q. On a pay-as-you-go basis?—A. On a pay-as-you-go basis, yes sir. It is true that they have a national assistance program which they have built in behind it, in order to buttress and support it, with supplements where retirement benefits are insufficient and with assistance for those who have not been covered. But, by and large, they are trying to get away from their non-contributory old age pension of 1908. And the first step in that effort was in 1925 when they brought in their contributory scheme with a limited coverage. Now they are trying to increase their coverage under a contributory scheme and make their insurance scheme much broader in scope. So I think you have to weigh the fact that within the insurance scheme itself they may be bringing in a larger exchequer contribution, and the fact that they have for some time been trying to get away from their non-contributory scheme which was financed totally from general revenues.

By Mr. Knowles:

Q. It seems to me it is possible to argue in the direction which Mr. Weaver suggested; and that it is equally possible—and this shows how we must keep the definition of our terms clear—to argue the other way and to point out that in 1978 the whole of the £749 million will be paid out of contributions by the people of the United Kingdom. They will pay £176 million as insured persons; they will pay £136 million as employers, and in addition to that, the people through their taxes and through other ways in which the government collects revenue will pay £78 million from the Exchequer, £338 million in supplements, and also £21 million as interest on top of that. You can argue both ways: that it is moving away or contributory if you define "contributory" as a direct insurance plan; and you can also point out that the thing is wholly contributory.

The CHAIRMAN: Do I understand that if one follows your reasoning you are contending that our present system of means test is a contributory system?

Mr. KNOWLES: Certainly.

The CHAIRMAN: Surely it is paid for by the people of Canada. There is no doubt about that.

Mr. BROWN: Is our income tax scheme contributory or compulsory?

The CHAIRMAN: Anything which enters the government funds is a contribution from the Canadian people. There is no doubt about it.

Mr. SHAW: Then why all this infernal discussion about contributory versus non-contributory?

The CHAIRMAN: I believe we shall be coming to that when we discuss a possible plan for Canada; and when we start on that discussion, I do not believe all the members of the committee would agree.

Mr. SHAW: Well, I have not said one-quarter as much as I wanted to.

The CHAIRMAN: Yes, I understand the point. But I believe we should carry on now because it is already twenty minutes past five.

Mr. BROWN: We are trying to understand their scheme.

Mr. BLAIR: It is just a matter of getting this thing cleared up in this particular case.

By Mr. Brown:

Q. I might be in favour of it, but I do not know.—A. Are there any other questions with respect to the insurance scheme? If not, we might move on to the non-contributory old age pension scheme.

The CHAIRMAN: Agreed.

The WITNESS: The Non-Contributory Old Age Scheme is in many ways comparable to our old age pension program in Canada, bearing in mind that

Britain has a unitary state and there is no question of a federal-provincial scheme; accordingly, it is a national scheme. The age qualification is 70. As to nationality, a person must be a British subject for 10 years to qualify. With regard to residence, if he is a natural born British subject he must have 12 years residence after becoming 50 years of age; if he is not British born, he must have 20 years residence; there are certain minor provisions for absences. The maximum pension was raised in 1946 from 10s. to the current rate of 26s. for a single person or a husband; 16s. for a wife, and 42s. for a married couple.

In the period 1940 to 1946, more than 50 per cent of the old age pensioners were receiving supplements under the 1940 Act which provided for supplementary aid to pensioners under either the contributory or the non-contributory schemes, after the rates were raised, about 65 per cent of that 50 per cent no longer needed supplements.

Now, with regard to income and property qualifications may I draw your attention to the table on page 41 where you will see the allowable resources required; a single person or a married man gets a maximum yearly pension of £67 and 12s.; there is a basic exemption of £39 for unearned means; and there is another provision which allows additional means up to £26 5s. If an individual has £39 unearned means, and if he has additional means of £26 5s., he can receive the full pension. His maximum annual income, including the full pension will be £132 17s. Provision is made whereby the amount of non-contributory pension payable to a single person or to a married man is reduced in respect to all other resources over the £26 5s., up to a maximum of £89 5s., after which no pension is payable.

Similarly you will note that the maximum yearly pension for a married couple is £109 4s. and that the maximum annual income including full pension is £239 14s with a reduction of full pension for all other resources from £52 10s. up to a maximum of £178 10s., beyond which no pension is granted.

By Mr. Blair:

Q. What do you mean by "unearned means"? Could you elaborate on that?
—A. If you had some stocks or bonds and you had income coming from those stocks or bonds, that income would be considered unearned means for this purpose.

The CHAIRMAN: That again is a question of the definition of terms, Dr. Blair.

Mr. KNOWLES: You had better stick to the practice of medicine, Dr. Blair.

The WITNESS: On page 42 you will note that the amount by which a weekly pension is reduced because of resources within these stated limits is illustrated for certain selected rates; and you will observe that as the yearly means rise from £26 5s. for a single person up to £89 5s., the basic pension for the single person drops from 26s. to 2s. a week.

Now, with respect to the calculation of means, the means include: income in cash, including any voluntary payments or allowances; the yearly value of property owned and occupied; the value of free board or lodging; and the yearly value of investments or other property which is not being used by the applicant himself.

In determining yearly value of property or investments, the first £25 is disregarded; the value of the next £375 is calculated at 5 per cent, and the value of any amount in excess £400 is calculated at 10 per cent. In the case of married couples these amounts are doubled.

Certain means are disregarded such as the value of any furniture or personal effects belonging to an applicant, any sickness benefits, received during a period of not more than three months in any year, and any assistance grant and so

forth. I think it is interesting to note the degree of similarity between the provisions of the British means test scheme and the existing Canadian scheme; while there are some variations here and there, for the most part it is a comparable piece of legislation.

I might mention that the cost of the non-contributory scheme in 1948-49 was about £27·4 million, and it is estimated that the cost will be about £1 million in 1978; in other words, they are withdrawing from this scheme. After October 1, 1961, they will not receive any new applicants under the program.

Are there any questions that the committee would like to ask with respect to this non-contributory scheme?

By Mr. Brooks:

Q. It says nothing about real property as far as a home is concerned, does it?—A. On page 42 at the foot of the page, in determining the value of property or investments you will notice that they have a basic exemption and that over and above that basic exemption they take 5 per cent on the yearly value up to £400; and as to anything in excess of £400, they take 10 per cent.

By the Chairman:

Q. Does that include property which is used as a home? That is what Colonel Brooks had in mind, I think?—A. Yes, Colonel Brooks. That includes the property used as a home. It is similar to Canada in that respect.

Q. Are there any other questions on this non-contributory means test system? Very well, we will go to the next item.—A. The passing of the national assistance Act was one of the last steps in the break-up of the Poor Law system in England which operated for over 300 years from 1601 under the auspices of the local authorities. The Act places the general assistance program under the administration of a national body. It brings together under that administration a number of assistance schemes which previously existed, including unemployment assistance which was operated formerly by the Unemployment Assistance Board, tuberculosis treatment allowances, certain blind domiciliary assistance, supplementary payments provided to pensioners of the contributory and non-contributory schemes under the 1940 Act, and local relief provided under the Poor Law system. I wish to stress that it is a general assistance scheme payable to any person over 16 years of age in need.

With respect to the aged, it provides two types of assistance: one is supplementary aid to recipients under the non-contributory old age scheme and under the contributory retirement scheme in cases where the benefit paid has been insufficient to meet basic needs, and the other is aid to aged persons who are not covered by either of these schemes.

The basic feature of the national assistance program is its flexibility, its wide variety of provisions for assisting people in need. It has, for instance, ordinary assistance rates which vary according to marital status, to whether or not the person is a householder, and to the age of other dependents. It makes provision for upward adjustment in these basic rates in cases of special need. In addition, it provides special rates for persons who are blind, for tuberculosis patients. Further, it provides for rental allowances which gives its flexibility with respect to the rent factor in the family budget. Finally, there are single emergency grants. This wide variety of grants adds to the flexibility of the program.

By Mr. Shaw:

Q. That word "single" does not refer to an unmarried person, does it?—A. No sir.

I think it is important to note that the non-contributory old age pension scheme we have just discussed is a means test scheme while the national assistance scheme is a needs test scheme. The assistance program operates on a budget deficit method; they try to determine the individual basic requirements of a person in need, and to deduct from those requirements any resources he may have, before they determine the amount of the assistance payment.

As I have mentioned, an important feature of this program is the special provision for rental allowances. Budget studies reveal that one of the items that varies most in different family budgets is the rent factor, whether it be as between one section of the country and another sector or between one household and another household within the same city. It is very difficult to compensate for this wide variation of rents and they have endeavoured through a flexible rent allowance to meet this situation.

I think it should also be mentioned that in determining the budget of an individual or of a family, health services did not come into consideration.

By Mr. Brown:

Q. Are there any limits on this rent assistance?—A. We are coming to that point in just a moment, Mr. Brown.

Q. All right, I am sorry.—A. Health services are provided under the national health scheme.

I think it is interesting to note that assistance in part or in whole is provided in kind. This is in contrast with a program such as the Old Age Assistance scheme in the United States and the Old Age Pension program in Canada where only cash payments are provided.

Now, with respect to weekly assistance rates, if you turn to page 47, you will see the weekly assistance rates, exclusive of allowances for rent for ordinary assistance payments, and the higher special scale for blind persons, and for persons suffering from tuberculosis. You will notice that provision is made for a married couple and for a single householder, but not for a single person. If the single person is not a householder, he would be classed under the heading of "other persons" and grouped under the appropriate age category. You will notice for a married couple the ordinary weekly assistance rate is 40 shillings—which is two shillings below the rate paid in the case of the non-contributory pension scheme and the insurance retirement scheme.

I would add that these are maximum amounts that are used as a guide when the investigators are determining how much assistance should be provided, but, that provision is also made for upward revision under special circumstances. For instance, if in a particular case it is found that the maximum rate is insufficient to satisfactorily meet basic needs of the individual or of the family, a certain amount of discretion is permitted in the hands of the administrative authorities in raising this amount. A considerable amount has been spent in this way. During 1948 there were over one-quarter of a million cases where upward adjustments of assistance rates were made over and above the normal maximum rates, at a cost to the exchequer of 2.9 million pounds. The main items for which additions were made were laundry, other domestic assistance, special diets, and extra fuel. The average increase was 3s. 3d. weekly.

As I mentioned, the scheme does provide for a considerable amount of flexibility in endeavouring to meet actual needs. This discretionary power to make upward adjustments of the usual rates set out on page 47 assists in obtaining this flexibility.

MR. FERRIE: Does "suffering from tuberculosis" mean that if a husband or wife is taken to the sanatorium the fund would take care of children or pay a pension to the wife or husband?

The WITNESS: Mr. Ferrie, I will obtain further details concerning the tuberculosis allowance and table it for the information of the committee.

Now, Mr. Chairman, on the question of dependents of persons under the assistance program I should mention that if a dependent is under sixteen then provision is made for that dependent to be included in the allowance to the individual who is applying for assistance; and that dependent would come under the scale for other persons under 16 years of age as set forth on page 47. On the other hand, for most cases where the dependent is over the age of sixteen years, that dependent has to apply himself or herself for an independent grant.

With regard to the resources it is only resources of the individual who is applying or if a family is involved of the family that are taken into account. There is no assumption that relatives have to maintain or to provide for those in need. The assistance scheme is very liberal in that regard.

If the applicant is a householder and there are non-dependents living in the householder they are expected to make a contribution towards rent and common expenditures. A standard rate of seven shillings a week is set as the contribution which a non-dependent in the household is expected to make. If, however, that non-dependent has earnings of less than seventy shillings a week provision is made for a smaller contribution towards rent and common expenditures of the household. On page 49 you will see that if weekly earnings are from 45 to 70 shillings the assumed contribution is lowered from seven shillings to five shillings a week. Similarly, if weekly earnings are from 25s to 45s a week, the amount is reduced to two shillings six pence. If the earnings are less than 25 shillings, there is no assumed contribution.

In assessing the resources, retirement benefits, old age non-contributory benefits, and family allowances are considered as part of the resources. On the other hand, there are some resources which are disregarded—for example, war savings up to a limit of 375 pounds in the case of a single person and 750 pounds in the case of a married person.

Mr. SMITH: What do you mean by war savings? Do you mean war savings certificates such as we have?

The WITNESS: The definition of war savings is very broadly construed as any sums loaned to the government after September 3, 1939, which actually represent new savings, as distinct from conversion of other capital assets.

Mr. BLAIR: Unearned income?

The CHAIRMAN: What is the cost of administration? Going so deeply into the life of people in regard to payments made and so on must cost a tremendous sum?

The WITNESS: Well, again, Mr. Chairman, the relative importance of administrative cost of a scheme like this is a matter that would depend upon how generous the benefits are.

The CHAIRMAN: You do not have any figures?

The WITNESS: Yes, I can provide you with some over-all figures on the total cost of administration. However, if I may continue I will come to that later.

I mentioned that war savings within certain limits were not included as resources. In addition, death grants and maternity grants are disregarded. Also under this scheme, the value of an owner-occupied home is disregarded. Further the value of capital up to 50 pounds is disregarded, but where the total value of capital is between 50 pounds to 400 pounds, a reduction in the amount of assistance of sixpence is made for each completed 25 pounds.

Now, with regard to allowances for rent, variation in rental levels from one part of the country to the other is provided and the fact that expenditures on rent cannot be reduced during periods when earnings are temporarily interrupted were basic considerations in establishing these rent allowances. Rent

allowances are individually determined, which provides a considerable amount of flexibility, and this in turn depends upon a greater amount of discretion on the part of the investigator.

Mr. BROWN: You mean political influence?

The WITNESS: No, sir. I mean a great amount of discretion in determining the actual amount that would be needed with respect to the application of the needs test. In the case of the rental allowance some guides are set and I think they do reduce, to a certain extent, the discretionary power.

Rent is defined as the weekly rent or a proportion of the rent appropriate to one week. In the case of a householder, it is defined as the weekly proportion of expenses, such as, taxes, necessary expenditures on repairs or insurance, and any sum attributable to interest on a mortgage on the house in which he lives. Net rent is the rent less any proceeds from sub-letting a part of the premises. Where the applicant is a member of another person's household and is over eighteen years of age, he is generally allowed a share of the rent; the minimum addition for this purpose is 2s. 6d. and the maximum 10 shillings a week.

It is interesting to note that in a 5 per cent sample survey they found that the allowance for rent which was being provided under the assistance scheme was covering the whole of the net rent in 87 per cent of the cases. At the foot of page 52 the considerable variation in rental amounts is indicated by the range of average payments shown. These data are obtained on the basis of this 5 per cent sample.

I mentioned before the upward adjustment of the basic rate and also the single grants which are provided for cases of exceptional need. In the case of the single grants they make up a comparatively small amount of the cost under the assistance program and they have been perhaps the most troublesome from the administrative point of view. It is the type of grant where an aged person might find that he needs a new stove and has no money available to take care of matter. Every case has to be reviewed and I understand that a large proportion are turned down. This type of allowance is probably costly from the administrative point of view; at the same time, it does increase to some extent the flexibility of the scheme.

It is interesting to note the range of assistance payments. They averaged for all recipients 15s. 4d. weekly, and about 47·2 per cent received up to 10 shillings weekly, and only 4·5 per cent received over 40 shillings a week. Residential accommodation for the aged is the responsibility of the local authorities. Provision is made whereby if an aged person is receiving accommodation in one of the homes or hostels of a local authority, he will receive his assistance payment out of which he will pay the local authority 21 shillings a week which will leave him an assured 5 shillings a week.

With respect to finance and administration, the cost of the assistance program in 1949-50, including administration, was 87·4 million pounds. It is interesting to note that of that total cost of old age pensions—that is the non-contributory scheme—accounted for 27·4 million pounds. Expenditures under the National Assistance Act, excluding non-contributory old age pensions, which are administered by the national assistance board, amounted to 60 million pounds.

The estimated administration costs of all the assistance schemes, including the non-contributory scheme as well as the national assistance scheme, was 3·85 million pounds for 1948-49 and it is estimated that it will be about 4 million pounds for 1949.

Mr. MACNAUGHTON: Have you any breakdown of the number of employees?

The WITNESS: The total staff employed by the National Assistance Board for 1948 was 10,853. That included headquarters staff, and the staff at regional and area offices, as well as certain provision staff employed in connection with the Polish hostels which are maintained under the assistance program.

Mr. SMITH: As of when are those figures?

The WITNESS: As of the 31st of December 1948.

Mr. SMITH: What are they for?

The WITNESS: The national assistance board, which administers the non-contributory old age pension scheme and the national assistance scheme.

Mr. KNOWLES: Can you indicate at this point the amount of money that is paid under the non-contributory old age scheme? I think the chairman got the notion that the 4 million pounds was the figure it was costing to administer 87 million pounds? Was that right?

The WITNESS: The 87.4 million pounds is the cost of all of the assistance programs—including provision of the non-contributory old age pension—assistance for persons in need, certain provisions for re-establishment and reception centres, and for Polish resettlement. You can see that there are a number of items.

Mr. KNOWLES: The 87.4 million pounds does include not only the cost under the National Assistance Act but the non-contributory old age pension program?

The CHAIRMAN: Mr. Knowles, if you will refer to the table following page 7 of the brief you will see the information.

The WITNESS: The government actuary estimates that the expenditure under the national assistance program will decline. His estimate for 1958 was 53 million pounds, and he considers this will drop to 36 million pounds in 1978.

Mr. SMITH: Have you got the costs of administration of our present old age pension system in Canada?

The CHAIRMAN: We do not have that—we have it for the whole of Canada but not by provinces.

Mr. KNOWLES: That information was tabled in the House a few days ago.

Mr. SHAW: It was agreed, Mr. Chairman, that it could not be accurate and a lot of it is just guess work because of the overlapping of duties within the sphere of the provincial employees.

Mr. KNOWLES: My memory is, and Dr. Davidson can perhaps help me, that the total amount expended on administration equalled about 2 per cent of the total amount paid out in benefits over the last three years.

Mr. SMITH: That was the figure that was estimated as the cost?

Dr. DAVIDSON: 2 per cent annually.

Mr. KNOWLES: Yes.

The WITNESS: The assistance scheme as administered by the national assistance board. Administration is decentralized with local offices throughout the country. Officials of the local offices receive applications for assistance, determine the eligibility, and decide the nature and extent of the assistance. The benefits are paid weekly. There is provision for local advisory committees and for appeals against decisions made by the assistance board officials.

Mr. KNOWLES: I find that I have with me a copy of the return laid on the table in the House and, if the committee would like, I could put it on the record. Perhaps the best way would be to have it included as part of our record.

The CHAIRMAN: That would be a good idea.

Questions:

1. What was the total amount paid out in family allowances from April 1, 1946, to March 31, 1949, or during the nearest three-year period thereto for which records are available.

2. What was the total cost of administration of family allowances, not including payments covered by question 1, for the same three-year period.

3. What percentage did said total cost of administration bear to the total amount of allowances paid out.

4. What was the total amount paid out in old age pensions, including the federal and provincial portions thereof, from April 1, 1946, to March 31, 1949, or during the nearest three-year period thereto for which records are available.

5. What was the total cost of administration of old age pensions, not including pensions paid as covered by question 4, but including both federal and provincial administration costs, for the same three-year period.

6. What percentage did said total cost of administration bear to the total amount of pensions paid out.

The attached information has been received by the Secretary of State of Canada from the Department of National Health and Welfare.

Answers:

1. \$781,082,669.

2. Department of National Health and Welfare ..	\$5,008,584
Department of Finance	6,161,499
Department of Public Works	459,220
	<hr/>
	\$11,629,303

3. 1.47 per cent.

4. Old Age	\$220,040,443.84
Blind	8,339,797.57
	<hr/>
Total	\$228,380,241.41

5. Federal	\$ 169,637.18
Provincial	4,445,000.00
	<hr/>
Total	\$ 4,614,637.18

* Note various reasons the total cost of the administration of old age and blind pensions in certain provinces can only be estimated. The figure shown above includes both actual and estimated cost furnished by the provinces.

6. 2.02 per cent.

Mr. MACNAUGHTON: As I understand it there are 10,852 persons employed in the administration of this scheme. Would you have any count of the number of offices required throughout the United Kingdom?

Mr. BROWN: There are 187 local offices I think. We had that the other day.

Mr. BROOKS: That was under the insurance scheme.

The WITNESS: Mr. Chairman, there are 300 area offices, 700 temporary offices, and 200 part-time offices.

Mr. BROOKS: Are both schemes administered by the same people in the same offices?

The WITNESS: No, there are separate administrative organizations. One agency is the national assistance board which reports through the Minister of National Insurance to parliament, and the other agency is the National Insurance Ministry. There are two networks of offices across the country; also there are advisory committees and appeals bodies to both of these administrative agencies.

Mr. BROWN: Which office is it that gives the two toupee's?

Mr. MACINNIS: Are we finished with these reports on old age security in other countries?

The CHAIRMAN: Mr. Willard was just about to take up that point.

The WITNESS: Mr. Chairman, the research division has prepared two other memoranda which we will be able to place before the Committee. One is on Old Age Income Security in Switzerland which I think will be available tonight, and the other is on Old Age Income Security in France which will be available tomorrow night. My understanding is that you do not wish to discuss them at the committee meetings. In that event, if there are questions which arise in the minds of members when they read the briefs, we would be glad to answer them. I will be attending future meetings of the Committee and if members wish they can give me their questions and we will try to have prepared answers for those questions. These are two interesting schemes and the Committee may find them of some value.

Mr. MACINNIS: I would like to express my own appreciation for the excellent work that the Research Branch of the Department of National Health and Welfare has done in preparing these reports. They have given us information covering several countries not on old age pensions alone but on social security programs to an extent which we have never had before and which, in my opinion, is invaluable to members of parliament.

The CHAIRMAN: I wish to thank Dr. Willard and Dr. Davidson for the trouble they have gone to and for the excellent information and testimony which they have given the committee.

Mr. BROWN: Do not forget their assistants?

The CHAIRMAN: Yes, we should thank the assistants of the research division who have been working very hard and for very long hours, since we have been sitting, in order to help us.

I think I should say now that we will have Dr. Davidson and Mr. Willard as witnesses tomorrow. They will give a general summing up of the plans in the countries we have studied so far.

Is it the wish of the members of the committee that we have the memoranda on Switzerland and France made part of our Minutes of Evidence tomorrow?

Agreed.

The WITNESS: May I add one word. Appendix 9 on page 79 has been slightly amended. May I receive the concurrence of the committee in having this amendment placed in the printed record.

Agreed.

The CHAIRMAN: I would ask the steering committee to stay for about ten minutes.

The committee adjourned.

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JOINT COMMITTEE OF THE SENATE
AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY,

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 13

TUESDAY, MAY 9, 1950
WEDNESDAY, MAY 10, 1950
(Morning sitting only)

WITNESS

Dr. G. F. Davidson, Deputy Minister of Welfare, Department of National
Health and Welfare.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY

1950



MINUTES OF PROCEEDINGS

TUESDAY, May 9th, 1950

The Joint Committee of the Senate and House of Commons on Old Age Security met at 4.00 p.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen were present. Mr. Lesage presided.

Also present:

The Senate: Honourable Senators Burke, Fallis, Farquhar, Fogo, Hurtubise.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brooks, Brown (*Essex West*), Corry, Croll, Ferrie, Fleming, Homuth, Knowles, MacInnis, Macnaughton, Pinard, Richard (*Gloucester*), Robertson, Shaw, Smith (*Queens-Shelburne*), Weaver.

Mr. Lesage presented the Fourth Report of the Steering Committee and submitted a list of organizations to appear before the Committee during the week commencing on May 15th. The Steering Committee's Report was adopted. (*See this day's Minutes of Evidence.*)

Dr. Davidson was recalled. He reviewed certain aspects of the evidence submitted to date on the Old Age Income Security Programs in various countries. Dr. Davidson was assisted by Mr. Willard. He filed a statement comparing the main features of Old Age Security Programs in certain countries, which appears at the beginning of this day's Minutes of Evidence.

The following other documents were filed and ordered to be printed in appendix to this day's proceedings, viz:

1. Comparison of Personal Income Tax and Social Security Levies—Canada—Australia—New Zealand. (*Appendix "C"*)
2. Total costs of Old Age Security Proposals at various ages and amounts. (*Appendix "D"*).

NOTE: The following documents tabled at the previous sitting also appear in appendix to this day's proceedings, viz:

1. Old Age Income Security Programs—Switzerland. (*Appendix "A"*).
2. Old Age Income Security Programs—France. (*Appendix "B"*).

At 5:45 p.m. the Committee's proceedings were interrupted by the House of Commons division bells and the Committee adjourned until Wednesday, May 10th, at 11:00 a.m.

WEDNESDAY, May 10th, 1950

The Joint Committee of the Senate and House of Commons on Old Age Security met at 11.00 a.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Fallis, Farquhar, Ferland, Horner, Hurtubise, Vaillancourt.

House of Commons: Messrs. Ashbourne, Blair, Brooks, Brown (*Essex West*), Cannon, Corry, Cote (*Verdun-LaSalle*), Ferrie, Fleming, Laing, MacInnis, Pinard, Richard (*Gloucester*), Shaw, Smith (*Queens-Shelburne*).

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare and Mr. J. W. Willard, Director of Research, Department of National Health and Welfare.

The Chairman tabled a supplementary memorandum re Canada's Old Age Pension Program. (*See Appendix E of this day's proceedings*).

Pursuant to an order of the Committee under date of May 5th, the correspondence exchanged with the Provinces and Representations received from Provinces also appear at the end of this day's proceedings. (*See Appendix F*).

Examination of Dr. Davidson continued.

At 12:30 p.m. witness retired and the Committee adjourned until 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee.

NOTE: Minutes of Proceedings and Evidence of this day's afternoon sitting are recorded in No. 14.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

TUESDAY, May 9, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 4 p.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. J. Lesage presided.

The CHAIRMAN: Senator Fallis and gentlemen, order. There was a meeting of the steering committee last night and it was suggested that in the week beginning Monday, May 15 we hear representations from the following organizations: On the 15th, The Canadian Manufacturers Association; on the 16th the Trades and Labour Congress of Canada; on the 17th, the Canadian Welfare Council; on the 18th, the Canadian Life Insurance Officers Association and on the 19th the Railway Transportation Brotherhood. These five are national organizations and the memoranda we have received from these organizations will be distributed to members this Thursday; and, of course, are not for publication. Most of these organizations have asked that the contents of their briefs be not made public before their representatives appear before the committee. They are being distributed so that members of the committee may study them and be ready to ask questions when these representatives are before us.

Mr. BROWN: How are we going to keep them confidential?

The CHAIRMAN: Consideration has been given also to the possibility of hearing representations from the two national organizations from the blind but a decision on that point has been postponed until Monday next.

Memoranda on the old age security programs in Switzerland and France are now being placed before you. The one for Switzerland is already in your hands or will be in a few minutes and the one on France will be available tonight. They will appear as appendices in this number of our proceedings.

(See Appendix "A"—Old Age Income Security Programs—Switzerland.)

(See Appendix "B"—Old Age Income Security Programs—France.)

You also have before you a memorandum containing sets of tables and explanations, entitled "Comparisons of personal income tax and social security levies in Canada, Australia and New Zealand." This will also appear as an appendix in this number of our proceedings. (See Appendix "C").

Now, Dr. Davidson is here today, gentlemen, to help us to try and review our recollections of the very interesting tour that we have made of the several countries over the last two or three weeks. You have before you a memorandum bearing the title "Comparative analysis of main features of programs under review" which will be printed in the evidence at this point.

COMPARATIVE ANALYSIS OF MAIN FEATURES OF PROGRAMS UNDER REVIEW

UNIVERSALITY OF BENEFIT

None of the programs studied provides a 100% universal benefit, either at the age of 60, or 65, or 70. Sweden and New Zealand come the nearest of all to the achievement of this objective,—Sweden with respect to the age group 67 and over, New Zealand with respect to the age group 65 and over. But Sweden limits its benefit payments to citizens, and New Zealand restricts its universal superannuation benefit to those with 10 years' recent residence (or alternatively,

20 years' residence in the country. Conversely, Sweden has no residence qualification and New Zealand no citizenship requirement.

In New Zealand, benefits are paid to over 99% of those who have attained the eligible age of 65 (all but 878 of the 156,950 residents 65 and over were either on universal superannuation benefit or on age benefit (means test) in 1948). No exact figures on case-load and its relation to population 67 and over are available for Sweden, but only aliens over 67 are excluded from basic benefit as a right.

In achieving such a close approach to universal benefit payments, New Zealand has found it advisable for some years to come to compromise on adequacy of superannuation benefit; and Sweden has compromised on the score of age. In each case it seems fair to infer that costs have been one of the governing factors in the making of these compromises.

New Zealand, in addition to supplementing three-fifths of its universal superannuation cases with means test age benefits (92,258 out of 156,950 in 1948), also pays mean test age benefits to slightly less than 30% of its population 60 to 64. Sweden also pays allowances on a means test basis to wives of pensioners, if the wives are 60 or over. Widows are also provided for in Swedish and New Zealand legislation, both those over 60, and, within limits, those under 60. Generally speaking, however, benefits below the age of 65 in New Zealand and below 67 in Sweden are paid on what must be regarded as a limited or partial coverage basis.

The United Kingdom probably follows next in line, in terms of universality of benefits paid. Its benefit payments are, however, considerably less universal at the present time, with 63% or 4,150,000 persons of pensionable age (65 for men, 60 for women) on retirement benefit as of April 1949 out of a total of 6,537,000 above these ages as of June 1949. To this should be added some 449,000 persons 70 and over on means test old age pensions as of April 1949. The total percentage of men over 65 and women over 60 on benefit under one or the other of these programs in April 1949 was, therefore, about 70%.

Compare this with the New Zealand figures already given, which show 77% of all the population over 60, both men and women, on means test or superannuation benefit in 1948. While coverage under the U.K. provisions is expected to increase in future years, it clearly falls short at the present time of the degree of universality achieved by New Zealand. Just as New Zealand compromised on adequacy of benefit rates, and Sweden on age, the United Kingdom has compromised on the extent of universality of benefit under its program. Such requirements as a minimum of 156 contributions, an average of 50 contributions annually paid or credited, the condition of retirement (except for small amounts of part-time work), the incentive to defer acceptance of benefit, the partial exclusion of those with less than £104 annual income, and the limited inclusion of those over 55 when the program came into effect,—all tend to diminish the universality of benefit payments. Likewise residence, nationality and means testing features of the non-contributory pension program exclude certain numbers over 70 years of age.

Denmark, with its mean test old age pension program for men at 65 and women at 60, stands probably close to the 50% mark in terms of universality of benefit. In 1947, 212,000 persons or 40.5% of the total population 60 and over were in receipt of old age pension. If this percentage were stated in terms of the population of pensionable age (i.e. excluding males 60-64), it would probably come fairly close to 50%. Denmark has compromised on universality of coverage by retaining its means test provision.

Australia, United States and Canada are grouped together around the 30-40% mark in terms of universality of benefit. Australia in 1947 paid age or invalid pensions on a means test basis, subject to qualifications of residence, citizenship and character, to 37.9% of its pensionable population (65 for males, 60 for

females). It was on this point of universality of coverage that Australia had to compromise. The United States, through its old age and survivors' insurance and old age assistance programs combined, provided security payments at the end of 1949 to 4,400,000 or 38% of its 11,500,000 citizens 65 and over. The United States compromised both on universality of coverage and of benefit, and also on adequacy of benefit under its O.A.S.I. program.

Canada, on March 31, 1950, paid means test pension to 43.1% of its population of pensionable age 70 and over. It compromised, therefore, on both age and universality of benefit.

FUTURE UNIVERSALITY OF COVERAGE

The figures given with regard to universality of benefit in the preceding section relate to the facts as they exist at the present time. In a number of countries reviewed (e.g. the United Kingdom and the United States), the nature of the program is such that it takes a considerable number of years to mature, so far as this question of universality of coverage and ultimate eligibility for benefit are concerned.

In the United States, for example, as the O.A.S.I. program matures, larger numbers will become eligible for retirement benefits and larger numbers will undoubtedly draw them. The longer the lapse of time from January 1, 1937, the greater the opportunity for individual wage earners to achieve permanently insured status by getting 40 quarters of coverage. Since close to 60 per cent of the currently employed labour force is under the coverage of the insurance program, this will probably mean that as the years go by a higher and higher percentage of the total population 65 and over will become eligible for and will actually draw benefits. To some extent these additional benefits will be partial benefits and may have to be supplemented by means test old age assistance. The margin of 10 per cent overlap between the two programs which existed in 1948 may be expected to increase somewhat. To some extent also the additional O.A.S.I. benefits will result in a diminution of the numbers on O.A.A. It is difficult to estimate the extent to which these factors will affect the present percentage (38 per cent) of the total population 65 and over on O.A.S.I. and O.A.A. Undoubtedly, however, this percentage will tend to rise with the years, even if no changes are made in the law. It may ultimately result in 50 per cent or more of the population 65 and over receiving benefit under either O.A.S.I. or O.A.A.

The United Kingdom percentage figure of persons on benefit, presently around 70 per cent of the total population of pensionable age (65 for men, 60 for women on insurance, 70 on means test pension), may also be expected to rise as the program in that country matures. When the program was inaugurated in 1948, coverage to persons over 55 was extended on a somewhat more limited basis than to persons under 55. This is a transitional problem which will be greatly minimized, if not entirely eliminated, in the course of a decade or more. The result will be a proportionate rise in the numbers and percentages of persons on retirement benefit, and a corresponding decline in the numbers and percentages on means test pension at 70. The United Kingdom authorities estimate that current expenditures on means test pensions, now running around £25,000,000 annually to about 450,000 persons, will decline to about £1,000,000 in 1978. If this estimate proves to be accurate, coverage and benefit payments will be very close to universal. Even on a less optimistic basis of estimating, it seems reasonable to assume that in due course the United Kingdom will reach a figure of at least 80 per cent, probably 90 per cent, and possibly even higher in terms of universality of coverage and of benefit payments. The percentage of benefit payments will, of course, tend to lag behind the percentage of coverage because of a number of factors, e.g. the fact that

some benefits will be partial and insufficient to induce retirement at 65, the fact that only part-time earnings are permitted after retirement, and the fact that a benefit premium is added to encourage deferred retirement.

Apart from the United States and the United Kingdom, none of the other countries' programs are affected by this "maturing" process in terms of universality of coverage or benefit. The Australian, Canadian and Danish programs are all means test programs, and are already universally available to anyone who can prove need. Any changes in the percentage figures for these countries would, therefore, be due to changes in the laws or to changes in economic conditions as this might affect aged persons.

At the other extreme, the Swedish and New Zealand programs are already fully matured, in that even today they are practically universal in the coverage and in their benefit payments to the age groups over 67 and 65 respectively.

FULL OR PARTIAL BENEFIT RATE

The degree of universality of coverage and of benefit payments has to be taken in relationship to the question of amount of benefit payment. For example, it is less costly in financial terms to pay a nominal or partial benefit to all the pensionable population than to pay a full-rate benefit universally. Different countries may compromise on different points in their respective programs. Country "A" may provide a *universal full-rate benefit* to all above a given age (Sweden at age 67). Country "B" may provide a *full-rate benefit* to a *majority* of those at a *somewhat lower* age (e.g. the U.K. at age 65 for men and 60 for women). Country "C" may provide a *universal partial benefit on a gradually increasing* basis to all above a *fairly low* age (e.g. New Zealand at 65).

It should be noted that even when full-rate benefits are paid to all at a given age, this does not mean that the full-rate benefit is set on a level of complete social adequacy. For example, in Sweden the full-rate benefit is obviously set at a fairly low level which requires supplementation in terms of a general cost-of-living supplement, a housing supplement in four of the five rental areas, and other supplements as well. In the United Kingdom supplementation of full and partial benefits is provided where necessary through the National Assistance Board. In Denmark, as in Sweden, a number of supplements to basic benefit are provided, e.g. deferred application supplement, age supplement, dependent child supplement, and special needs supplement. In Canada the full-rate, means test benefit is supplemented in a number of provinces by cash benefits (both on a means test and on a non-means test basis) and by medical and hospital care as well. In New Zealand, the partial superannuation benefits are supplemented in three-fifths of all cases over 65 by the means test age benefit, though this proportion may be expected to diminish as the rate of universal superannuation benefit rises. In the United States there is relatively little supplementation of basic benefits, for the reason that under the means test O.A.A. program the states, in theory at least, operate on a needs test basis and pay a benefit sufficient, when added to the applicant's own resources, for minimum subsistence purposes. Partial benefits under O.A.S.I. are, however, supplemented by O.A.A. in 10 per cent of the cases (200,000).

There is no indication in the Australian legislation of any formal provisions for supplementation of the means test age benefit so far as the Commonwealth government itself is concerned. It may be however, as in the case of Canada, that a certain amount of supplementation is provided in special individual cases by state or local governments.

Broadly speaking, it may be said that the means test programs in all countries (Australia, Canada, Denmark, New Zealand, United Kingdom and the United States) pay on a full-rate benefit basis, diminished, of course, in individual cases by means testing procedures, but supplemented also in many cases by a

variety of types of supplement. Likewise, in Sweden the non-means test universal pension is paid on a full-rate benefit basis, set at a fairly low level which probably results in supplementation being required in almost all cases.

Only in the case of New Zealand's universal superannuation and in the case of the United Kingdom and United States programs are benefit payments made on what might be described as a partial or graduated benefit basis. In the case of the United Kingdom and the United States, this is due to the fact that the amount of benefit under the insurance programs is not paid on a uniform flat-rate basis, but is related directly to the past record of contributions of the individual. In New Zealand, on the other hand, the partial benefit rate is due to the "escalator clause" in the universal superannuation program which provides that the benefit rate starts at a nominal rate in 1940 having no relation to adequacy (£10 a year) and proceeds gradually by annual increments of £2.10s to the ultimate full-rate benefit of £130 annually in 1988.

CONTRIBUTORY VS. NON-CONTRIBUTORY

The various programs reviewed vary from extreme to extreme in so far as the contributory feature is concerned. At one extreme we find Canada and Denmark which are 100 per cent non-contributory, in that they finance the entire costs of their means test old age security programs from general revenues. At the other extreme is Australia which is 100 per cent contributory, in that it finances the entire cost of its means test old age security program, along with all of its other health and welfare services, out of a National Welfare Fund made up entirely of revenues derived from a graduated social services contribution on all individuals, a 2½ per cent pay roll tax on almost all employers and interest on the Fund. There is no provision in the Australian law for any contribution to be made out of general revenues.

Between these two extremes we find considerable variation. New Zealand relies heavily on the contributory principle to finance its total social security program, of which the means test age benefit and the universal superannuation benefit are a part. It levies no pay roll tax on employers, as in Australia, but through a flat 7½ per cent tax on all income, with practically no exemptions, it raises at the present time about 70 per cent of the amounts required to finance its total program. The balance required (which Australia raises by way of interest contributions to the Fund and by a pay roll tax on employers), New Zealand provides out of the general tax revenues.

Australia and New Zealand are the only two countries which finance more than two-thirds of their total social security programs (including old age security) out of specially ear-marked contributions. The United Kingdom also relies to a substantial degree both on the contributory principle and on the moneys raised by the application of this principle to finance its over-all social security program.

But increasingly as the scheme matures, the United Kingdom program will find itself relying less and less on employer and employee contributions and more and more on Exchequer contributions (either supplements or grants) to maintain the solvency of the National Insurance Fund. Actually in 1948 employer-employee contributions were originally estimated to produce £313 million as against total expenditures on benefits of £452 million. Contributions, therefore, were expected to finance 69.3 per cent of all benefits paid, with the balance being made up from interest on investments (£21 million) and Exchequer supplements or grants (£118 million). This would on the face of it appear to indicate that the United Kingdom planned to finance initially its national insurance program on a 70 per cent contributory basis, comparable to New Zealand's current program. But such an assumption is actually misleading, because the United Kingdom does not include, as New Zealand does, *all* its social security programs under the national insurance program. It pays part or all of the costs

of the National Health Service, National Assistance, means test old age pensions and Family Allowances out of its general revenues. All these in New Zealand are financed out of the Social Security Fund. Actually, *total* Exchequer contributions, both to the insurance program and to these other programs in the United Kingdom amounted to £535,120,000 in 1949-50, and are estimated to amount to £667,880,000 in 1950-51. These totals from the Exchequer, when set alongside the estimate of £313 million from employer-employee contributions for 1948 and an estimate of £324 million for 1958, indicate that for all social security purposes the United Kingdom is carrying presently around 65 per cent of total costs through general revenues. This percentage is likely to go even higher in future years, since official estimates show that, even with respect to the Insurance program, Exchequer contributions in 1978 (which are only 30 per cent of the insurance fund requirements currently) will amount to 56 per cent of total insurance fund requirements. When the Exchequer costs of the National Health Service, National Assistance, means test old age pensions and Family Allowances are added to this, it seems reasonable to estimate that in later years the Exchequer contribution may rise to as high as 75 per cent or more of the total cost of the over-all social security program.

Turning next to the United States, we find here again a considerable degree of reliance on the contributory principle in respect to old age security. From the point of view solely of the old age and survivors' insurance fund, there is, in fact, 100 per cent reliance on employer-employee contributions, since no contributions are currently being made to that fund from general revenues or are likely to be made for at least a good many years. Likewise, from another, though somewhat specious point of view, the United States old age security program could be said to be almost 100 per cent contributory in that, by pure coincidence at the present time, the total of contributions collected under O.A.S.I., plus interest earnings on the fund (\$1,924 million in 1948-49) is sufficient to cover the current costs of benefit payments under both the O.A.S.I. program itself (\$607 million in 1948-49) and under the federal-state needs-test O.A.A. program (\$1,259 million in 1948-49). In other words, the United States is collecting currently enough from employer-employee contributions to pay all the costs of both O.A.S.I. and O.A.A. on a pay-as-you-go basis. In fact, however, the excess contributions collected under O.A.S.I. are held in a reserve to pay future O.A.S.I. commitments. They are not used to pay current means test O.A.A. costs. The United States position, therefore, at present is as follows;—while relying exclusively on the contributory principle for O.A.S.I., employer-employee contributions are providing at present only \$442 million annually for old age benefits, while general revenues of federal and local governments are being used for the payment of \$1,259 million annually in means test O.A.A. payments. On this basis, roughly 74 per cent of old age security costs in the U.S. (excluding railroad retirement, civil service and similar special schemes) is being provided out of general revenues: only 25 per cent is being met currently out of the 1½ per cent contribution rate on employees and employers.

Finally, Sweden provides the extreme example (from among the countries under review) of a country which clings to the principle of a contributory feature in its national pension scheme, while financing the bulk of the costs out of general revenues. The total cost of old age, widow's and invalidity pensions, financed out of the National Pension Fund, was 706·3 million crowns in 1948-49: of this 79·2 per cent was provided by national and local governments out of general revenues: 3·8 per cent was met from interest on National Pension Fund investments; and only 17 per cent was met from specific contributions of insured persons. To this should be added the further fact that total governmental (national and local) social security expenditures in Sweden in 1948-49 amounted to 1,410,563,000 crowns, including the national pension program. National pension costs were only 39·6 per cent of total costs. From this it will be evident

that contributions raised specifically from individuals for old age, widows' and invalidity pensions represent only 6.7 per cent of total social security costs. It is not altogether clear from available source materials whether or not Sweden finances its other social security programs, apart from national pensions, on a non-contributory basis: but from available evidence this would appear to be the case.

RELATIONSHIP OF BENEFIT TO CONTRIBUTION RECORD

In the United States O.A.S.I. program and in the United Kingdom insurance program, the right to benefit and the amount of benefit depend on a prior record of individual contributions. This does not apply to the means test schemes in effect in Australia, Canada, Denmark, New Zealand, United Kingdom or United States: nor to the universal superannuation scheme of New Zealand, nor to the national pension scheme of Sweden.

AGES OF ELIGIBILITY

Australia: means test only, 65 for men, 60 for women.

Canada: means test only, 70 for men, 70 for women.

Denmark: means test only, 65 for men, 60 for women; supplements for deferred retirement at 67 and 70.

New Zealand: means test, 60 for men, 60 for women; universal non-means test superannuation, 65 for men, 65 for women.

Sweden: universal non-means test pension, 67 for men, 67 for women; supplements for wives (over 60) of pensioners on means test basis.

United Kingdom: insurance, 65 for men, 60 for women; means test, 70 for men, 70 for women.

United States: insurance, 65 for men, 65 for women; means test, 65 for men, 65 for women.

CONDITIONS OF RETIREMENT

Under the means-test programs of Australia, Canada, Denmark, New Zealand, United States and United Kingdom, there is no stipulation in the law as such that requires an individual to retire from active employment. The means-test provisions, however, have practically the same effect, limiting to a very narrow range the amount of earnings from part-time employment without diminution or loss of pension.

Under the universal superannuation scheme of New Zealand and the national pension scheme of Sweden, there is no condition of retirement, nor is there any limitation on part-time or full-time earnings.

Under the U.S. and U.K. insurance schemes, there are retirement conditions which, somewhat the same as in the means test schemes above mentioned, limit within a fairly narrow range the amount of part-time earnings permitted to a retired worker while on benefit.

The U. S. provision is not as rigid as the U.K. provision: the former limits to \$15 a month the amount that a retired worker can earn from employment in a covered occupation, without forfeiting right to benefit for that month. This restriction does not apply to benefit for the month. This restriction does not apply to earnings in non-covered employment.

The U.K. provision, on the other hand, applies to *all* earnings, since no distinction is made in their insurance program between uncovered and covered employment. For insured retired workers under 70 in the case of men, and under 65 in the case of women, earnings while on benefit up to 20s. a week are ignored but after that a deduction is made of 1s. for each shilling earned in excess to

20s. Men over 70 and women over 65 are not affected in any way by this provision and may draw the full benefit to which they are entitled regardless of earnings.

PREMIUMS FOR DEFERRED RETIREMENT

No such provision in Australia, New Zealand (either program), Sweden, United Kingdom (means test) or United States (means test).

Canada: (annuity calculation of personal property at age 70).

Denmark: 5 per cent added to basic pension if deferred to age 67-69; 10 per cent of basic pension added if deferred to age 70.

United Kingdom: Insurance—1s. weekly extra for every 25 contributions in 5-year period after pensionable age—65 for men, 60 for women.

United States: Insurance—yearly increment of 1 per cent—quarters of coverage after 65 count only if they increase average monthly wage.

RESIDENCE AND CITIZENSHIP

Australia: 20 years' continuous residence at any time. Temporary absences permitted up to 2 years (10 per cent). Eligibility limited to British subjects and to women who, prior to marriage, were British subjects.

Canada: 20 years' continuous residence immediately preceding application. Temporary absences permitted up to 1,200 days (16 per cent). Longer absences can be offset on a 2 for 1 basis, if applicant has periods of residence in Canada prior to the 20-year period equal to twice the length of his absences during the 20-year period. No citizenship requirement.

Denmark: Apparently no residence requirement. Eligibility limited apparently to Danish citizens.

New Zealand: If resident in New Zealand on March 15, 1938, ten years' continuous residence in New Zealand immediately preceding application. If not resident in New Zealand on March 15, 1938, twenty years' continuous residence in New Zealand immediately preceding application.

Temporary absences permitted up to 10 per cent of the 10-year and 20-year periods respectively. Longer absences can be offset on a 2 for 1 basis as in Canada. No citizenship requirement.

Sweden: No residence requirement. Eligibility limited to Swedish citizens.

United Kingdom: No residence period as such specified in old age insurance plan, but condition of not less than 156 weekly contributions results in establishment of minimum residence period of 3 years.

No citizenship requirement for old age insurance.

For means test old age pension, eligibility limited to natural born British subjects and to naturalized British subjects of at least 10 years' standing. Twelve years' continuous residence in the United Kingdom after 50th birthday required in case of natural born British subjects. Twenty years' previous residence required in the case of naturalized British subjects of at least ten years' standing. Temporary absences permitted up to a limit of 3 months at any one time.

Aliens or naturalized British subjects of less than 10 years' standing are ineligible regardless of residence.

United States: No residence period as such specified in old age insurance program, but conditions of not less than 6 quarters of coverage out of last 13 for currently insured status, one-half of quarters of coverage since January 1, 1937, for fully insured status, and 40 quarters of coverage for permanently insured status have the effect of establishing minimum residence requirements for these particular classes of entitlement to benefit.

No citizenship requirement for old age insurance.

For old age assistance, the federal law does not require any residence or citizenship qualification. It denies the state government the right to establish a state residence period longer than 5 out of the 9 years immediately preceding application and one year immediately preceding application.

Four states have no residence requirement; twenty-two require one year of state residence immediately prior to application; three require one year immediately prior to application, and three within the last nine; twenty-two require one year immediately prior to application and five within the last nine.

Twenty-nine states have no citizenship requirement; sixteen limit eligibility to U.S. citizens; four require twenty-five years' residence for non-citizens; one requires ten years' residence for non-citizens; and one requires 15 years' residence for non-citizens.

DEGREE AND EXTENT OF MEANS-TESTING

No country of those under review has completely succeeded in eliminating means-testing from its old age security program.

Australia, Canada and Denmark are 100% means-testing programs.

New Zealand, as of March, 1949, paid benefits under its two-fold program to 116,254 on a means-test basis, and to 65,839 on a non-means-test basis. Consequently, it may be said that its program as of that date involved means-testing procedures in 63.8% of all cases receiving benefit under the two-fold program in effect in that country. This percentage will diminish as the rate of universal superannuation benefit rises.

In the United States 2,700,000 recipients of old age assistance (December 1949) are needs-tested (including about 200,000 recipients of O.A.S.I. who require supplementary assistance from O.A.A.): approximately 1,700,000 aged recipients of O.A.S.I. receive benefits free of needs-testing and do not require supplementary needs-test assistance. Consequently it may be said that the U.S. old age security program (so far as O.A.S.I. and O.A.A. are concerned) involves needs-testing in 61.4% of all cases receiving benefit under the two-fold program in that country.

In the United Kingdom, 4,100,000 individuals were on the non-means-test retirement benefit in November 1948. About 491,000 of these were receiving inadequate benefits to an extent requiring them to apply for supplementary means-test from the National Assistance Board. Furthermore, in November 1948 some 461,000 persons were in receipt of means-test old age pensions. Consequently, on the basis of these figures, it may be said that in November, 1948 the U.K. program involved means-testing procedures in 21% of all cases receiving benefit under the two-fold program in effect in that country.

Available data do not permit an accurate appraisal to be made of the degree or extent of means-testing in Sweden's old age security plan. Basic benefits for men and women over 67 are free of means-test. The special allowances for pensioner's wives between 60 and 67 are subject to means-test: and more important, the housing supplements paid in four of the five rental-group areas in Sweden are paid subject to means-testing. No figures are available, however, to show how many pensioners actually draw these means-test housing supplements, or to indicate the numbers and percentages of pensioners living in these four rental-group areas where housing supplements are payable.

PAY-AS-YOU-GO vs. FUNDING

All old age security programs in all the countries under review are financed essentially on a pay-as-you-go basis, with the exception of the United States O.A.S.I. program which is established on the basis of a modified actuarial reserve.

The means-test programs of Canada, Denmark, the United Kingdom, and the United States are financed out of general revenues on a pay-as-you-go basis.

The means-test program of Australia, the means test and universal superannuation programs of New Zealand, the U.K. retirement insurance program and the Swedish national pension plan are all financed out of a special fund which is supported by direct ear-marked contributions or taxes in all four cases and by additional grants from general revenues in three cases (all except Australia).

In effect, New Zealand, the United Kingdom and Sweden finance the annual deficit of the fund out of grants from general revenues on a pay-as-you-go basis. Each country may carry in its fund a small contingency reserve, but there is no attempt made to build up any actuarial reserve against future commitments. The Australian reserve is of a similar nature, except that it is considerably larger, and to that extent provides a somewhat greater "cushion" against the shock of declining revenues from direct ear-marked contributions in future years.

The CHAIRMAN: I will now ask Dr. Davidson to deal with that.

Dr. G. F. Davidson, Deputy Minister of Welfare, recalled:

The WITNESS: Mr. Chairman, I might begin with an apology to Mr. Fleming and Mr. Croll. In a rash moment, at one stage of the discussion, I promised that I would produce a table showing the comparability of certain features and principles in the various countries that we have been studying. When I came to attempt that I found what I should have known all along that to attempt to reduce this kind of data to a table gets you into the serious danger of over-simplification; and I found that I could not present in tabular form a suitable analysis of the main features without running into a very serious area of error and inaccuracy. Consequently I have tried instead to pick out certain main threads of common concern throughout the various programs and reduce those to the form in which you see them in this document. I might just add that the document is not as it stands even as complete as I should have liked it to be. There are certain headings that I would have liked to cover in this document in addition to the ones that are here in mimeographed form; but perhaps it would suffice if I were to deal with the headings that I set forth in the document itself first of all and then refer verbally at the end of the presentation to some other features which I think it is important to follow through in the programs of these various countries. Would that be an agreeable procedure, Mr. Chairman?

The CHAIRMAN: Yes.

Some Hon. MEMBERS: Agreed.

The WITNESS: I should also add that these items that are presented in the mimeographed document are not placed in any particular order of importance; they have been assembled just as various items of interest and there is no attempt on my part to present them in the order of their importance. But I think one of the features which has engaged the interest of members of the committee as we have gone along has been this question of how far universality of benefit payments applies in the various countries; and for that reason I have broken down the discussion of this particular common thread of interest into two sections, the first of which relates to the universality of benefits being paid and the second of which relates to the universality of coverage, which means the universality of benefits which will ultimately be paid.

From a very narrow point of view it is correct to say, of course, that there is no country among all those that we have studied that in a literal sense provides a universal benefit to everybody as of a given age. Some come relatively close to that. But we are in all these cases examining the extent to which the various countries come close to achieving universality of benefit payments at the present time. And, of course, when you are speaking of

universality you also have to bear in mind that you are talking about universality in terms of the population of pensionable age and that varies from country to country. In one country they may be thinking solely in terms of the population over seventy years of age, let us say; in another country they are thinking of the population over sixty-five; and in another country they are thinking of the population where the man is sixty-five and the woman sixty; so that it is even in these terms difficult to give any comparable percentage figures as to the percentage of universality of benefit being approached at the present time.

MR. MACINNIS: Are you thinking at the moment only of old age benefits?

THE WITNESS: Exclusively at the moment, Mr. MacInnis; yes.

MR. MACINNIS: I think that is important.

THE WITNESS: Now, so far as the various countries we have studied are concerned I think it is clear that two countries, Sweden and New Zealand, come close to achieving the objective of universal benefit payments at the present time. Sweden does that with respect to the age group sixty-seven and over and New Zealand does it with respect to the age group sixty-five and over. But even in these cases which come closest to the objective that they have set for themselves you get little areas in which there are disqualifications, and it is interesting to note that these disqualifications have been, in the case of Sweden and New Zealand, the reverse, one of the other rather than the same. For example, Sweden limits its universal pension payments to age sixty-seven and over to Swedish citizens and dispenses with any residence provisions. New Zealand does exactly the opposite; it dispenses with the citizenship provision and retains the provisions which relate to residence; namely, that an individual who qualifies for benefit without the means test at age sixty-five must be able to show that he has lived for the last ten years in New Zealand—with a certain amount of allowable absence in each year. He must have lived in New Zealand on March 15, 1938; whereas if he was not in New Zealand on that date he must be able to show that he has established twenty years residence with certain minor allowable absences.

MR. KNOWLES: This is similar to the qualifications provided in the proposed Dominion Act of 1945. You referred to that as a proposal for universal pension and there was a residence qualification.

THE WITNESS: That is correct, so far as I can recollect, Mr. Knowles. And, of course, it is interesting to note just at this point what seems to me at least to be the obvious reason why New Zealand has residence qualifications without citizenship qualifications and vice versa in Sweden. Sweden is after all a part of the European land mass and, therefore, citizenship qualification is a more important factor for control purposes than residence qualification would be. New Zealand on the other hand is an island, isolated, and therefore they reverse the picture and relate the right to benefit to the residence period rather than to the question of nationality. The figures that we have been able to get for New Zealand show fairly closely that in terms of this universal superannuation benefit 99 per cent or more of the persons over sixty-five years of age draw universal superannuation benefit or age benefit on a means test basis at the present time. I think that is about as near as we can hope to come to universality without it becoming completely universal.

MR. KNOWLES: It might be 9.44 per cent.

THE WITNESS: I haven't worked it out to the fraction. For Sweden on the other hand we have not such accurate or exact figures but we know 100 per cent of the citizens of Sweden—Swedish nationals—are entitled to this benefit. We also know that aliens are not entitled to it.

It is interesting to note that in both these two instances we find that each government faces the necessity of making certain compromises, as I have called

them, on fundamental issues in planning their old age security programs. There is no country we can find that pays universal benefits at the full rate immediately to all people at a low age. It seems to be necessary in each case for them to make certain compromises within the framework of ideal conditions, and the probable necessity for those compromises is the question of the over-all cost involved. New Zealand, for example, had to compromise on the question of the full benefit rate. They pay universal benefits, true, but at a rate which they admit is inadequate and which will gradually go up to approach adequacy in later years. That is the compromise New Zealand has had to make.

Sweden has taken the other course. That country has compromised on the question of age by bringing the age for qualification for old age pension up to sixty-seven years; but they pay the full benefit rate from that point on. In both cases you have that element of compromise.

Then, I should point out New Zealand and Sweden, in addition to paying these almost universal benefits from the ages of sixty-five and sixty-seven, also have an area from sixty up to those age limits in which they pay benefits to a portion of the population. You have clearly here an area in which the degree of coverage and of benefits is partial only, probably not much more than 30 per cent in New Zealand and considerably less than that in Sweden.

Leaving those two countries you then come down to the country which seems to rank third in terms of the extent of universality of coverage in terms of benefits paid at the present time. That country is the United Kingdom. Its benefit payments, as Mr. Willard pointed out yesterday—while they are considerably less than universal, while they fall considerably short of paying benefits at the present time to 100 per cent of the persons of pensionable age—do, according to the figures we have, provide a retirement insurance benefit to about 63 per cent of the population of pensionable age which means the male group sixty-five and over and the female group sixty and over. In addition to the 63 per cent group to whom they pay retirement insurance benefits, they also pay a means test pension to about 450,000 persons over seventy. When you add those figures together you get around 70 per cent of persons sixty-five and over in the case of men, and sixty and over in the case of women, who are at present on either insurance benefits or means test benefits in the United Kingdom.

MR. BROWN: Would those figures include benefits which people derive under medical and health schemes?

THE WITNESS: No, those are individuals who are on old age retirement benefits and on means test old age pension benefits.

MR. FERRIE: How does our scheme compare with these?

THE WITNESS: We will come to that as we go along, Mr. Ferrie.

Mr. Willard draws my attention to the fact that there would be a small number in addition to those I have mentioned who would be ineligible for either type of pension, and would be receiving benefits under the national assistance program; but the numbers there are not obtainable.

Those three countries, it is fair to say, do achieve 50 per cent or more of universality in terms of benefit payments presently being made to persons in pensionable age groups in those countries.

We come now to the remaining countries—Denmark, Australia, the United States and Canada.

MR. KNOWLES: May I just ask this question, Dr. Davidson. It would appear that under the laws as they stand, New Zealand and Sweden are not likely to go any higher?

THE WITNESS: That comes in my next section, Mr. Knowles.

Denmark stands at about the half-way mark. The figures which I have for Denmark, which operates exclusively on a means test basis, show that about 40½ per cent of the population sixty and over were drawing means test benefits in 1947. I will draw your attention to the fact that that figure is not as accurate a percentage as it should be, because the percentage is based in terms of total population sixty and over whereas, to be strictly accurate, the percentage should be stated in terms of the population of pensionable age which is sixty-five in the case of men and sixty in the case of women. If you exclude from the calculation the number of men sixty to sixty-four who are not in the pensionable age group you would get a slightly higher percentage—probably close to 50 per cent. Then you will see that Denmark has had to make a compromise in this picture just as New Zealand did and Sweden did. Denmark has had to compromise on the score of partial coverage to a very substantial degree. I should have said also that in the United Kingdom that was the compromise again that they evidently had to make.

In the case of Sweden you have the compromise on the score of age. In the case of New Zealand you have the compromise on the score of graduated benefits starting at a low amount and taking time to build up. In the case of the United Kingdom, and Denmark, you have the compromise in terms of incomplete coverage and a certain degree of lack of universality in terms of benefit payments as of the present time.

That same compromise applies also to the Australian, United States, and Canadian picture. Australia, which as you recall has a means test pension only, although its system is entirely contributory, provides means tests benefits to about 37·9 per cent of the pensionable population—sixty-five is the age limit for males and sixty-four for females. So again Australia compromises on the point of universality of coverage at the present time.

The United States, through its programs of O.A.S.I. and Old Age Assistance, covers about 38 per cent of its population sixty-five and over. You will see that the United States position at the present involves a two-fold compromise: one on the question of universality and one on the question of the amount of benefits paid under the old age insurance program—which is a graduated benefit falling in the early years a good deal short of what could be considered full benefit rate.

Finally, Canada, while it has on the face of it a higher percentage of pensioners of pensionable age as of March 1950—namely 43·1 per cent, must be viewed in relation to the fact that our population of pensionable age is the age group seventy and over only. There would be a considerably smaller percentage of the population sixty-five and over, or sixty-five and over in the case of men and sixty and over in the case of women. You will see there that we, in turn, have compromised again on two grounds—namely on the question of age and universality of benefit.

MR. CROLL: What would it mean in the way of a comparable figure? Did you not figure it out really to see what it would mean? I refer to men sixty-five and over and women sixty and over—percentage-wise?

THE WITNESS: The percentage we have given in each case is the percentage of persons of pensionable age as it is established in the country concerned. It would be difficult to reduce those figures to a common percentage because some of the countries have the age sixty-five for men and sixty for women—the United States has sixty-five for men and women; New Zealand has sixty and up; Sweden has sixty-seven for men and women, plus some from sixty on. About the only thing you could do would be to take the population seventy and over, the population sixty-five and over, the population sixty-five for men and sixty for women, the population sixty and over, and give percentages for all countries in all those combinations of age categories. We could do that except for the fact that we have not a detailed breakdown of all the countries in terms of population

sixty and over, sixty-five and over, seventy and over. I think it is perfectly clear, and anyone can see for himself that if you based the Canadian percentage on a population sixty-five and over the figure would drop; if you based it on the population age sixty-five for men and sixty for women it would drop still further; if you based it on a figure of age sixty and over for both men and women you would get still a lower percentage.

By Mr. Knowles:

Q. Similarly, if you took most of the other countries and found the total population seventy and over and set against that the number of pensioners seventy and over—A. Which we have not got.

Q. I beg your pardon?—A. The difficulty is that we cannot get from the source material available in other countries how many of their pensioners are seventy and over and how many are sixty-five and over.

Q. I grant that, but I think it is still a fair guess to say that the percentage would be a little higher against the total population because people, by the time they reach seventy, meet means test requirements more fully.—A. That is correct; but I think the point does illustrate the difficulty we would have had in presenting in tabular form any percentage figure showing universality of benefit because you would have to qualify that in each case by relating the percentage in each case to a different population base, depending on whether the age of eligibility for benefit is set at 60, 65, 67, 70 or some combination of these ages.

Mr. HOMUTH: In the various countries are the age groups fairly comparable or is there a difference in age groups—I mean the percentage 60, 65, 70 and so on?

The WITNESS: I think the percentage of older people—of sixty and over, sixty-five and over, and probably seventy and over, taken in relation to the total population of the country, is on the whole, higher in other countries than it is in our country. We have in effect a younger population—particularly as compared with Sweden and Denmark which have older civilizations and a more fully matured population in terms of age. They have a considerably higher percentage of people in the old age groups.

Mr. BROWN: You mean that they live slower and longer?

The WITNESS: No, but the age factor has fully developed in those countries, whereas in Canada, with our younger population the birthrates are still on the whole higher. That means the percentage of aged in relation to the total population is higher in European countries than it is in Canada. You also have to take into account with that, Mr. Brown, the fact that the trend of immigration in Canada, encouraging a higher proportion of young people throws out of line the normal curve of distribution in terms of age.

By Mr. Knowles:

Q. I have just one further comment in relation to these percentages which as you have already pointed out are not as meaningful as they might be. It is probably the case in Denmark, where the percentage is 40·5 per cent in their terms, and in the United States where the percentage is 38, that so far as people seventy and over are concerned the percentage is higher than the 43·1 per cent in Canada?—A. That is a fair assumption, Mr. Knowles. It certainly is a fair assumption in the case of Denmark because that 40·5 per cent is not even taken in terms of the pensionable population; we have had to include in there because of the unavailability of more appropriate figures the men from sixty to sixty-four even though they are not in the pensionable population.

Q. So we really are at the bottom of the list?—A. We are at the end of page 2.

Mr. CROLL: Of course, there is room for improvement there.

The CHAIRMAN: Maybe that is the reason why we are here.

Mr. BROWN: Would you rather be some place else?

Mr. KNOWLES: The chairman means that is why we are here on this committee, I think.

By Mr. Fleming:

Q. In Canada we have not drawn any distinction between the status of men and women so far as old age security is concerned at any time and yet it seems to be an established feature of the many schemes we have been studying, in giving a five year preference to women in the age of eligibility, have you any comment to make, Dr. Davidson, as to the way such a differential might work out in Canada if we made that an established feature too?—A. You are quite correct, Mr. Fleming, that it is an established feature in a substantial number of the countries we have been considering. The United Kingdom and Denmark are two examples of that feature. Australia is also an example. In the case of the United States on the other hand, and New Zealand, it is not an established feature of those programs. In the case of Sweden the answer is yes or no depending on whether you take into account the supplemental means test benefit paid to the wife from age sixty. To that extent there are offered concessions on age to women, although in terms of the national pension, there are no concessions in terms of age.

One of the interesting facts in terms of this question of age differential between women and men, is that women live longer than men, and to the extent that you provide benefits to them at an earlier age than men you are taking on a twofold commitment rather than a single commitment. That is point No. 1. Point No. 2, on the other hand, is: if you look at the figures for Canada or any other country with respect to the number of women and men in gainful employment at the age of sixty-five you will find that the percentage of women continuing in gainful employment after sixty-five is very much lower than men continuing in gainful employment after sixty-five. I have not the figures as of the moment, but I do recall that at the time the dominion-provincial proposals were being formulated some figures were brought out that showed the percentage of women remaining in gainful employment between sixty-five and seventy was perhaps as low as eight to ten per cent; whereas the percentage of men remaining in gainful employment was upward of sixty per cent. So there is a substantial difference there in terms of what is actually working out in our country under present circumstances in terms of the accepted age for retirement from the labour market.

Now, there is a third point that relates to that, namely the question of supplemental benefits paid to wives of pensionable persons. One hears from time to time proposals put forward, for example, that when a person goes on pension as of his age and is eligible in his own right, there is a case for paying a pension to the dependent wife of that person regardless of her age. That does create some problems in terms of very young wives of eligible pensioners because it means that when the pensioner dies you are faced with the dilemma of having to continue that pension indefinitely to young widows or cutting it off. Such a dilemma is largely avoided by staggering the age of eligibility between men and women, because in the countries where they do provide a differential in the age of eligibility between women and men they do so with the knowledge that most women under pensionable age, say under the age of sixty-five, who are married to men over sixty-five, are within five years of the age of their husband. Therefore by providing, say, a five year differential between the age of eligibility for

women and men they cover most of the cases of wives of pensioned males; it is not so necessary then for them to give consideration to the relatively small number of women who are left, say, of a still younger age, as the wives of pensioned males. Do you follow the point I am making?

Q. Quite? And there is one other point in connection with that, having regard to our comparison with these other countries. I take it that it is fair to say, generally speaking, the economic features which you have referred to, which have led to this differential in the other countries, do exist in Canada in substantially the same degree.—A. I think that the figure that I gave you from, I think it was, the 1941 census showing the relative percentages of women and of men sixty-five years of age and over in gainful employment does establish that point.

Q. There may be differences in emphasis depending on the way the economic factor works in the particular country but, generally speaking, those same economic factors are present here that led to the establishment of the differential in the other countries?—A. So far as I can see them, yes.

By Mr. Croll:

Q. We have established a differential in this country with respect to the veterans' allowance and our pension legislation?—A. I do not get your point on that, Mr. Croll. We have established it to some extent with regard to teachers' and other superannuation plans.

Q. With regard to the veterans' allowance, the widow will receive it at age 55. There is a differential in age there, I am sure?—A. You are probably right. I am not especially familiar with the exact details.

Q. I suppose it is merely that the government has recognized the principle in other matters. We have not recognized it in this legislation, but they have in other matters.—A. If you are correct, and I am sure you are, to that extent you are correct on this age differential for widows.

Mr. HOMUTH: You cannot compare veterans' allowances and so on with old age security, can you? They are two different things entirely.

The CHAIRMAN: Oh, yes. Do you have a question, Mr. Ferrie?

Mr. FERRIE: I wanted to know, Mr. Chairman, if we can get a set of figures that can tell us, in Canada, what it will cost the country to give pensions at age seventy for men and sixty for women, and what it will cost at sixty-five for men and sixty for women.

The CHAIRMAN: You have it in the minister's statement to the House. (See appendix.) It is all in there, I believe.

The WITNESS: There are figures, Mr. Ferrie, in the minister's speech in the House of March 10, 1950, that show the cost of universal pensions of different amounts to different age-groups.

If it would be helpful, Mr. Chairman, we could arrange to have that in the record, and I would appreciate that because I will then be able to make certain minor corrections in the table which the minister presented to the House. I must take the blame for certain minor errors which we later discovered in that table, but which do not affect the overall picture.

The CHAIRMAN: Should we have this information printed as an appendix to today's evidence?

Mr. KNOWLES: The tables that were set out in Mr. Martin's speech?

The CHAIRMAN: Yes. The table. It is only one table.

Mr. KNOWLES: Not the whole speech?

The CHAIRMAN: No, there is only one table. The table that was given there, that is all.

Agreed. (See Appendix "D").

By Mr. Cannon:

Q. Before we get off the subject, there is one question I want to ask in connection with supplemental benefits. What they have been doing in other countries, as I remember, is that these supplemental benefits are only paid to the wife of a pensioner while she is his wife. In other words, if he died, she would not continue to get anything as his widow unless she qualified on her own.—A. That is not altogether true, Mr. Cannon, because you recall, for example, in the United States Old Age Insurance Program, the wife of a retired beneficiary under the insurance program will get a wife's pension equal to one-half of his pension if she is sixty-five years of age. If he dies, her pension will then be converted into a widow's pension of three-quarters of his primary benefit; on the other hand if she is under sixty-five when he dies at the age of sixty-five or over, and if she has a dependent child under eighteen, she will get what is called the current widow's benefit for younger widows with dependent children and that widow's benefit amounts to three-quarters of the primary benefit. The child's benefit of one-half of the primary benefit will also be paid.

Q. What I had in mind was the difficulty of old men marrying young wives and the young wife continuing to get the pension after the man dies. In the case of American civil war veterans, I am told that the United States is now paying pensions to widows of civil war veterans who have been dead for many years. It seems they married these men just to get the pension.—A. There are various provisions under the laws of the various countries that do deal to some extent with that. For example, in the case of Sweden, the wife of a man sixty-seven years of age or over, can get a wife's supplement on a means test basis from the age of sixty upward provided she has been married to him at least five years. So it means if you are going to arrange these things you have to arrange them quite a while ahead, anyway.

By Mr. Knowles:

Q. Do the figures that you have for continuing in employment by men and women at these various ages suggest that a five year differential would more or less equate the position as between men and women?—A. To get that picture clearly, Mr. Knowles, you would have to go beyond the five year differential and see what the percentages are there, and I have not done that, so, frankly, I do not know whether that five year differential has any real significance in terms of the percentages of men and women in gainful employment. I do know this, if you take that five year differential and relate it to the other point I made in answer to Mr. Fleming's question, as applied to the wives of pensioners, you do cover the larger portion of under age wives through that five year differential.

An Hon. Member:

Q. The figures that have just been put on the record, the figures that Mr. Martin gave on March 10, and the corresponding figures that Mr. Claxton gave in 1946, in both cases they did use that five year differential. I wonder if that was coincidental or whether it was based on a study of this factor?—A. I think it was essentially a recognition of the fact that a variety of proposals have been made from time to time by members in the House and organizations outside referring to this five year differential, and it was desired to put on the record what the cost of that would be. I would point out, and I think it has some significance in this matter, in the two countries that have universality of benefit or have come closest to it, New Zealand and Sweden, they have not this age differential. To the extent they have it at all, they have it on a means test basis, as in the case of Sweden which I have described for Mr. Cannon. New Zealand on the other hand, under its means test benefit program, provides that the commission in its discretion may pay a pension to an under age spouse. But

you will see there that both countries which have gone the farthest in the direction of universality of benefit have found it necessary to keep the age for men and women at the same level. I think the reason for that is fairly clear, and it is that if you are going to pay a universal benefit to a woman who may be a wife at an age lower than you pay it to a husband, you will in some cases be paying a benefit to a woman of a lower age who is married to a husband who is not himself yet eligible and who is still continuing in active employment. That would create some rather anomalous situations.

By Mr. Fleming:

Q. It would depend to some extent in such cases on whether you are going to regard the wife as relating her right to a benefit through her husband or through the law.—A. That is correct.

Q. And there is one factor there which might apply to Canada. In many instances of employment, compulsory age retirement is earlier for men than it is for women. I am thinking, for example, of school teachers' contracts.—A. Do you not mean the other way round?

Q. I mean it is the same differential; but in many municipalities the compulsory retirement age for women school teachers is 60 while for men it is 65.—A. The point I was trying to make is your point, that in some of our municipal, provincial or federal superannuation schemes recognition is given to that principle.

By Mr. Knowles:

Q. I do not suppose in your position you would know about it. But I understand that during the Easter recess in 1949 the newspapers carried a report that the government was going to do that right here.—A. I read a lot of newspapers and I get a lot of interesting information out of them; but I do try to avoid putting information into them, when government policy has not been announced.

Q. My friend Mr. Croll remembers it quite well.—A. If we have dealt sufficiently with the question of universality of benefits, I would turn to the second question to which Mr. Knowles referred, the ultimate universality of benefits or coverage under these various schemes. Here I think I can be much more brief.

In the case of New Zealand and Sweden their schemes are already matured in terms of ultimate coverage and they cannot go much farther unless they take out certain statutory requirements that relate to residence and citizenship. Therefore there is no long term trend of improvement which you can anticipate there.

That equally applies to the means test programs in Australia, Canada and Denmark. There is no question of a maturing of these programs. They are in one sense universally available even now in that they are available to everyone who can prove the need. If it were true in any situation that your entire aged population in any of these three countries was of sufficiently low income to qualify under the means test, we would have in effect a universal pension in those countries.

Any change in percentages in these countries, Australia, Canada, and Denmark which have only means test programs, would be made through changes in the law or changes in the economic conditions which affected these aged persons.

That means that the only countries which will be affected in terms of universality by this question of a maturing of the program are the United States and the United Kingdom. In the case of the United States for example, as the old age and survivors insurance program matures, a larger number of insured persons will become eligible for retirement benefits and a larger number will undoubtedly draw them.

The longer the lapse of time from January 1, 1937, the better the chance which the average individual has to build up his forty quarters of coverage which give him fully insured status.

We know already that 60 per cent of the employed labour force in the United States are in the United States insurance program. Therefore I think we can anticipate that as time goes on the number and the percentage of persons over 65 who will draw retirement benefits under that program will increase from the present fairly low figure of around 25 per cent or a little more. So I think you can anticipate an improvement in the United States percentage. But on the other hand I believe it will be offset to some extent by a decrease in the number of persons on Old Age Assistance. However, I think you can anticipate that the United States figure of combined coverage and combined benefit payments under the O.A.S.I. and under the O.S.A.A. will progressively rise from the present figure of 38 per cent to something like 50 per cent or a little higher, even without any changes in the present law. With the changes in the present legislation now being considered the percentage may even rise to a higher figure.

To put the United Kingdom picture in a proper perspective you have to recognize also that there is also a transitional stage in their program. There is a transitional period there during which a rather limited degree of coverage is being extended to persons 55 years of age and over. The British insurance program will undoubtedly work out through that transitional period and as it does so it should be expected that a higher percentage again of the total population of pensionable age will come on retirement benefit.

But this higher percentage will again, I think, be offset to some extent by an expected decline in the percentage of population over 70 years of age who are on means test pension. No one knows exactly at this stage the eventual degree of universality of coverage or benefit payments that they will achieve under the United Kingdom program. But it is suggested by me in this memorandum—and this is purely a personal guess—that it will certainly get up into the 80 per cent area, probably up to 90 per cent; and it could go to an even higher figure.

But there are in both the United States and the United Kingdom programs certain automatic features which will present the universal benefit picture in a less favourable situation than it actually is. For example, as I mentioned a few sessions ago, there are about one million persons in the United States today who could retire on benefits if they wanted to leave their wage earning employment.

Assuming for the moment that they did so, that would immediately shoot the United States percentage very much higher than it is at the present time. There are likewise certain features in the United Kingdom legislation such as the provision for deferred retirement and factors of that kind which will tend to slow down and reflect inaccurately the extent of universal coverage and universal eligibility for benefit payments under the United Kingdom program.

But these two countries, the United States and the United Kingdom, are the only ones which have to gain in comparison by taking a look at their future extent of coverage and benefit as distinct from what we say in the first section of the memorandum, where we make a comparison in terms of the present extent of benefit payments.

By Mr. Knowles:

Q. In respect of these future forecasts, we have had from time to time statements and figures as to the extent to which our population is aging due to the various factors you have indicated. Are there any figures as to the greater longevity of the people because of improvements in old age pension legislation? Are there any figures which would compare the results in this field as between one country and another country?—A. I am not aware of anything of that kind, Mr. Knowles. We have an interesting bit of material that has been brought out

in one of the Annual Reports of the British Columbia Old Age Pensions Board. I would not say it goes so far as to prove the point you suggest, but it does make some interesting point about the length of time that the average person stays on pension now as contrasted to the average length of time that a person stayed on pension in the earlier years of the old age pension program.

One could argue from that, possibly, that old age pension payments contributed to the security of the individual and therefore increased his life expectancy.

But before one goes too far in making that statement, he should compare the relative degree of that increase with the relative degree in the increase of life expectancy in a similar age group which was not on pension within the last 20 to 25 years.

Q. But it might be one factor?—A. We have not got that comparison. I do think it might be interesting for us to produce the very brief study that was made in British Columbia and to have it incorporated in the record at a later stage.

By Mr. Brown:

Q. Have you got figures to show the length of the life span of the average individual over the past 50 years?—A. We could get some figures showing life expectancy at various ages.

Q. I don't mean life expectancy, I mean something based on past record.

The CHAIRMAN: That would be interesting to have on the record—a table of that kind.

Mr. BROWN: I was thinking of the actual experience of longevity over the past fifty years, of the extent to which the average of life expectancy has actually worked out over the past years.

The WITNESS: That is really the same point. That would be covered by, for example, going back let us say to the year 1900 and getting the figure of average life expectancy for a person born in 1900 and then coming along up over a period of years to the present time and ascertaining how it has worked out.

Mr. BROWN: The idea I had in my mind was the experience of the last fifty years, to what age persons have lived during that period of time. For instance, take the age of death of individuals in 1875 and carry it forward from there.

The WITNESS: We are still talking about the same thing.

Mr. BROWN: Yes.

The WITNESS: The question of life expectancy rates.

Mr. BROWN: I was thinking of the actual experience with respect to life expectancy over the past fifty years, something that we should know.

The WITNESS: That is the basis on which the report to which reference has just been made is based, on the actual figures, and I believe it shows an increasing life expectancy. That is the way it is worked out. The actuaries in establishing their life expectancy tables base their findings of course on what they have found in terms of the examination of past records.

Mr. FLEMING: I think we were given some figures on that in the House not so long ago in connection with the experience in D.V.A.

The WITNESS: I do not think, speaking subject to correction, that the Dominion Bureau of Statistics in its population forecasts assumes any increase in life expectancy from this point on, and to that extent they are conservative figures. I speak subject to correction, but I am fairly sure of it, that they did their projecting on the basis of the present life expectancy of age groups that are now in the population.

Mr. BROWN: But they won't say that in fifty years from now you are going to live to be one hundred years old, that that will be the average length of life; they merely say what the fact is today.

The WITNESS: We will get what information we can bearing on this question of life expectancy. It is now around sixty-seven, as I recall it.

Mr. FLEMING: There is just one question I would like to ask there; is it not very difficult, if not impossible, to isolate one factor in the whole question of life expectancy and to show what the effect of that one factor will be, what bearing it will have on the general trend?

The WITNESS: It is extremely difficult when you have a combination of factors; nutrition, levels of living, health services, social security payments, wars and a whole variety of other factors—new drugs, for example, which enter into the picture in terms of preserving life and to that extent increasing life expectancy. Another important factor which I am sure the members know about which has contributed mathematically to the increase in life expectancy as spectacularly as has been the case in the last twenty-five years has been the decrease in infant mortality; new techniques which prevent a child from dying within a month or a year of birth and extending its life even for a few years. That has a tremendous effect on the life expectancy figure. It does not mean because life expectancy increases over a period of time from say fifty to sixty-seven years that everyone can automatically assume that he himself is going to live that much longer, because that figure is very much influenced by the number of lives saved in the first few years of life.

By Mr. Knowles:

Q. I, of course, recognize the difficulty of segregating any one factor like that, but I should think it would be possible that some cases do fall within some records possibly of actual periods, and it may be that this investigation which has been made in British Columbia would deal with this point. For example, I am wondering if there are statistics showing how many people in British Columbia died at age seventy who went on pension in 1927; or perhaps I should put it this way, how long did the people who went on a pension at that time live after they went on pension; and how many people in British Columbia go on pension now at a rate of \$50 a month and to what age do they live? That is not the only factor, I agree, but it is of interest.—A. The B.C. study shows the average life on pension of the average B.C. pensioner in the early years of the scheme, and I think also in the later years of the scheme.

Q. In other words, that is what we are talking about here; it deals with something that has happened.—A. That is right.

Q. You will let us have a look at that, will you?—A. Right. Might I turn now, Mr. Chairman, if there are no more questions on this first section, to the next section on full or partial benefit rates where I point out what I think is an obvious fact, that the degree of universality of coverage of benefit payments does tie up with the question of the amount of benefit payment. The memorandum gives three examples; country "A" might provide universal full rate benefit payment to all above a given age, as Sweden does; country "B" might provide a full rate benefit to only a portion of those above the given age, but it may set the given age at a lower level than country "A" does; country "C" on the other hand may provide a partial benefit to all persons above the given age; and, therefore, in assessing this question of complete or universal coverage, or universal benefit payments to all, one has to take into account the extent of the benefit paid in each situation. I simply pose as an example there that you might have one country saying, we will pay a pension of \$10 a month to everybody from sixty-five on. That is one proposition; and then you might have another country saying for example we will pay a benefit of \$50 a month to

everybody from age seventy-five on. The two things must be taken hand in hand, the question of universality and the question as to whether or not the universal benefit is paid on a partial rate or a full rate. Now again I would point out that even in the case of a full rate benefit so called you have to take a look at the actual amount of benefit to determine just what the full rate benefit amounts to. I have used the expression here full rate benefit rather than adequate benefit because you will find that in some countries which have universal full rate benefit, such as Sweden, the adequacy of the benefit across the board is very much open to question; and that is not a subject of opinion, that is a fact that is demonstrated by the number of different supplements that the Swedish authorities have added to their basic age benefit. For example, they have added the cost-of-living supplement right across the board; secondly, they have added the housing supplement on a mean test basis in four of the five rental areas of the country; so it is pretty clear from that that having established what they call a full rate benefit they find that it in most cases does not amount to a full degree of adequacy in payments to individuals and they have to supplement that with various types of supplemental benefit. Now, Sweden of course provides a full rate benefit to all its citizens beginning from age sixty-seven on and then it provides a variety of supplements of the kind I have referred to, so you might consider it as being a full rate universal benefit country. New Zealand on the other hand is a partial rate universal benefit country at the present time, supplementing the partial universal superannuation in three-fifths of those cases through a means test program and moving eventually upward year by year until in 1988 it will reach the position Sweden is in now theoretically. It will in 1988 reach the position of paying universal benefit from age sixty-five on at a full rate in terms of what they regard as being adequacy; but in fact ultimately New Zealand will actually be somewhat ahead of Sweden because Sweden relies upon its supplemental benefits to make up for the inadequacy of the full rate benefit at the present time.

Now, you have a number of other countries, of course, operating a means test program. Denmark is one of them and Canada is another where theoretically at least they operate a means test program at a full benefit rate; in other words, they do provide what purports to be a full benefit and they reduce that by means testing. The United Kingdom likewise has its means testing program which operates on the basis of a full benefit rate less whatever is deducted on account of means testing.

In fact, there are only three countries where you might say that their programs envisage a benefit rate paid which is less than a full rate benefit. Those three countries are New Zealand, which I have mentioned already, the United Kingdom and the United States. These last two examples refer to the insurance program in the countries concerned. That is covered in the last paragraph of this section where it is pointed out that in the case of the United States and the United Kingdom they relate their benefit payment to the prior record of contributions and because they do that in certain percentage of cases whether large or small they pay less than the full benefit rate. In the New Zealand program on the other hand the reason for paying less than the full benefit rate is found in the escalator clause which provides that the universal superannuation benefit will not reach its full level until 1988.

The CHAIRMAN: Dr. Davidson, is there any country, apart from those which we have studied, where there is a universal basic old age pension paid at a given age which is supplemented by contributory schemes based on contributions made during the lifetime of the beneficiary?

The WITNESS: I do not know of any country doing that, Mr. Chairman.

Mr. CROLL: Would you mind repeating the question so we can all get it.

The CHAIRMAN: Just let me explain it.

Mr. CROLL: I know what it means, but I thought we should all know it.

The WITNESS: I do not know of any country which has any twofold program, one a universal pension paid at a flat rate at a given age—

The CHAIRMAN: Without a means test, a universal pension.

The WITNESS: —without a means test, and two a contributory insurance program—

The CHAIRMAN: At the same or lower level.

The WITNESS: —at the same or a lower level. I know of no combination of that kind.

The CHAIRMAN: I thought when we were making these comparisons it would be interesting to have that information.

The WITNESS: You have the universal pension plan, for example, in Sweden that is supplemented by a variety of supplements, some on a means test and some non-means test. You have a universal superrannuation plan in New Zealand supplemented both above age sixty-five and below age sixty-five by means test pensions, all of which are financed out of contributions.

The CHAIRMAN: But you know what I mean; it is a universal proposition with them.

The WITNESS: I know what you mean. Now, Mr. Chairman, I come to the next point which is very interesting, the question of contributory vs. non-contributory.

The CHAIRMAN: Yes.

The WITNESS: I think the remark was made by someone in the committee yesterday that all systems are contributory in that they are obviously paid for by imposed contributions or taxes derived in some way by direct or indirect methods. That is, of course, true, but for the technical purpose of old age security I think it is convenient to make a distinction between purely non-contributory schemes on the one hand,—in the sense that they are financed entirely out of the general revenues of the country and not from earmarked contributions or taxes, and the purely contributory programs on the other hand, which are financed entirely out of earmarked contributions. Those are of two kinds. On one hand we find insurance schemes where there is not only an element of contribution but there is also a direct relationship in each individual case between the benefit payment and the individual record of contributions made. Then there is another contributory type of program, and that is the type of purely contributory program which is financed exclusively out of earmarked contributions but does not contain the element of insurance to the point of insisting that the right to benefit be directly tied to the prior record of contributions.

In between the non-contributory type on the one hand and the two types I have described on the other hand, you get a vast array of possibilities which you might call semi-contributory. They adhere to the principle of the contributory feature or in some cases they pay what you might call lip service to it, but, by a supplementary contribution from the treasury or exchequer, or out of general revenue, they carry very largely the cost of the scheme on a general taxation basis.

Now, this section of the memorandum goes through the various countries we have studied to date and tries to classify them in those terms. It is to be noted in this section as in other sections, that there are a good many debatable points which affect in terms the complete validity of the comparison. This is an inevitable consequence of the attempt to exclude excessive details.

Hon. Mrs. FALLIS: Dr. Davidson, may I ask a question on the first paragraph which refers to the Australian system. In the event of a recession the

2½ per cent tax, or whatever tax is levied on employers and employees, would not meet the requirements and it says that there is no provision in Australia for the deficit to be met out of general revenue. What would they do—just reduce the pension?

The WITNESS: Mr. Willard has given me a bit of information of which I was not aware and that is in a public statement of policy of the former government, a statement was made either by the Minister of Finance or the Prime Minister himself, that, in such an eventuality the government would come in and maintain the solvency of the scheme. That is a somewhat more tenuous commitment than that existing under the old age insurance law in the United States where that provision is written right into the law. For the time being, in Australia, I think it is correct to point out that they already have a very substantial reserve built up out of contributions they have already collected, in terms of social service contributions, which start at 1¼ per cent and go up to 7½ per cent, and the payroll tax which is 2½ per cent in the case of employers.

By Mr. Knowles:

Q. Dr. Davidson, if I may presume that we are still trying to get the definition as between contributory and non-contributory clear, in so far as our use of the term is concerned, would it be fair to emphasize the word you use, namely "earmarked". Perhaps you said it more simply that I will say it before I get through, but what is in my mind is that when we speak of a plan that is non-contributory we means that there is no earmarked contribution for it. Whereas, when we use the word contributory, we usually mean a plan in which there are earmarked contributions.—A. I think I would make a slight distinction there—and this is purely a personal distinction—between what I would call a direct earmarked contribution as distinguished from an indirect earmarked contribution. For example, if you had an old age security scheme financed on the basis of an additional 2 per cent or 5 per cent or 10 per cent earmarked sales tax, I am not sure that I would call that a contributory scheme. Now, I admit there is a case for calling it contributory—just as there is a case for calling a contribution from the general revenue a contributory scheme—but I think you lose the essence of the contributory feature when you derive your tax resources from a type of tax that the individual does not see when he pays and does not realize when he is paying that he pays it.

Q. Then your use of the word contributory goes a step farther and this is in terms of direct earmarked contributions— —A. —that is a purely personal designation.

Q. In all this we are being arbitrary, but my thought is that in the committee we might sort this out so that we would all mean the same thing when we used the terms.—A. As it happens there is no example in this group of countries under study that would be debatable on this point of being financed from an indirect contribution.

Mr. FLEMING: Is it not enough that we keep in mind these refinements which Mr. Knowles has suggested? There is a certain general understanding about the expression and we know there are variations within the idea of a contributory scheme. However, I do not think we will fall into error if we just proceed.

The CHAIRMAN: What about accepting as a definition of a contribution the definition which has just been given by Dr. Davidson—his personal definition?

Mr. KNOWLES: Repeat it.

The CHAIRMAN: It is a direct earmarked contribution.

Mr. FERRIE: A direct assessment.

The CHAIRMAN: Well let us not try to put in too many words. It is a direct earmarked contribution towards old age security.

Mr. FLEMING: I have great doubt about the wisdom of trying to define anything right now. I think Dr. Davidson has made quite clear the interpretation he has put on the words.

The CHAIRMAN: For the moment.

Mr. FLEMING: I think that it would be premature of this committee to set up some arbitrary definition which we had to follow from here on.

Mr. MACNAUGHTON: I suggest that we get back to the title on page 6.

The CHAIRMAN: That is where we are.

The WITNESS: You will note, then, at one extreme Australia which is in accordance with my definition a 100 per cent contributory scheme; and at the other extreme are Canada and Denmark which, for purposes of old age security alone, are 100 per cent non-contributory. I should point out, that having said what I have said about Canada and Denmark—that they are 100 per cent non-contributory—I want to make it clear that I am talking about old age security programs and not about their total social security programs. I say that by way of explanation because at a certain point here in the document we will find ourselves concerned with the question of the methods of financing total social security programs in other countries not just old age security. If you take that into account in Canada you would have to take into account the fact that there are some elements of contribution involved in the total social security program in so far as all of Canada is concerned. I instance unemployment insurance as the major example; I instance also hospital insurance programs of the province of Saskatchewan or British Columbia; I instance also as a minor example the workmen's compensation legislation in various provinces which, in so far as the employer at least is concerned, is a contributory insurance program.

Even with that qualification I think the members will probably accept the statement that Canada is very much, to date, in terms of its over-all social security program, on the side of the non-contributory type of program as distinct from other countries which are very much on the side of the contributory type of program.

Take for instance Australia. As members will recall the Australian program is financed in all its aspects 100 per cent on the basis of direct earmarked contributions. These direct earmarked contributions consist first of all of a social service levy on individuals starting at $1\frac{1}{4}$ per cent for single persons above £104 annually, and rising on a graduated basis to $7\frac{1}{2}$ per cent. In addition to that individual contribution there is a payroll tax of $2\frac{1}{2}$ per cent levied on payrolls of employers. That money, taken with the interest earnings in the fund, has today produced considerably more than enough to finance the Australian entire commonwealth social security program. It has been sufficient for a number of reasons: first, they have levied contributions generally two years before they began to pay benefits; and second, because the benefits they do pay in twelve out of fourteen cases are on a means test basis.

Some of these benefits were formerly provided out of the general revenue of the country but, when this contributory system was established, all social service programs of the Australian commonwealth were taken off the consolidated revenue and were thenceforth financed on the basis of direct earmarked contributions.

Up to the present time there has been no governmental contribution from general revenue to that national welfare fund and it has a reserve of sufficient size to suggest that for some time to come it is unlikely there will be any necessity for contribution from general revenue. There is likewise no provision in the law for a contribution; but, as Mr. Willard has just pointed out, a policy statement has been made by the government which established this program,

indicating that it was their policy to guarantee the solvency of the fund—if necessary by a contribution from the general revenue if, as, and when the need for it arose.

I doubt if there would be any serious argument, Mr. Chairman, about that being as 100 per cent contributory as you can get it on the one side of the picture.

By Mr. Cannon:

Q. Does that cover unemployment insurance and workmen's compensation as well?—A. It covers unemployment assistance—there is no such thing in Australia as unemployment insurance as we know it.

Q. What about workmen's compensation?—A. My impression, and Mr. Willard confirms it, is that workmen's compensation is a state or provincial responsibility rather than a federal responsibility. What we are talking of now is the federal level of service.

Now, coming down the line from this 100 per cent contributory scheme of Australia, I find next New Zealand, which, to a greater extent than any other country except Australia, finances its entire social security program out of the revenue derived from direct earmarked contributions, namely from the social security tax. As I pointed out in my evidence on New Zealand, the 7½ per cent levy made on all income of all individuals, with very, very minor exemptions, has produced enough in the last two years to pay 70 per cent of the benefits paid under a variety of fifteen different types of programs in New Zealand. As members will recall, about eight of those were free of the means test and about seven of them were subject to a means test. Of the eleven cash benefits, seven were subject to means test.

Now, you will notice in New Zealand that that social security consists of only one earmarked type of contribution, that is the seven and one half per cent levy on personal income. There is no payroll tax on employers in New Zealand, and that may be the reason why New Zealand puts in a contribution on a year to year basis from the general revenues amounting to something like thirty per cent of the total amount required to maintain the fund in a solvent condition. I am drawing an inference there from the absence of the payroll tax of the Australian type and the presence of subsidies from general revenues which perhaps I am not warranted in drawing. But the existence of the payroll tax in Australia helps them avoid paying contributions from general revenues, and the absence of the payroll tax in New Zealand makes it necessary to provide a contribution from the current revenue fund to keep it in a solvent position.

By Mr. Knowles:

Q. Do you remember if Mr. Willard gave us in the case of Australia the percentage of that money that comes from the social security tax and the percentage that comes from the payroll tax?—A. I think he did, Mr. Chairman. I recall distinctly that the bulk of the Australian revenue is derived from the social service contribution. About £22 million is from the payroll tax on employers and about £99 million from the social services contribution.

Q. Not that they will be comparable, but I thought it might be interesting to set this alongside that seventy per cent and thirty per cent division in New Zealand.—A. There is perhaps at least a coincidental relationship.

By Mr. Blair:

Q. Have they an income tax in New Zealand?—A. If you will look at the material that has been filed by the Department of Finance, Dr. Blair, I think you will agree that they have.

MR. KNOWLES: Does Dr. Blair know of any country in the world that has not?

The WITNESS: Now, Australia and New Zealand so far as I have been able to analyze the picture are the only two countries that go so far as to finance two-thirds or more of their social security program from this contributory type of financing. The United Kingdom probably comes next in line, and the United Kingdom picture is somewhat more complicated. I have endeavoured to pull out here from Mr. Willard's material presented yesterday two sets of comparisons designed to show (1) the percentage of the revenue requirements of the national insurance fund provided by the exchequer and by the employee and employer contributions, and (2) the percentage of the total social security costs including the national insurance program which have to be provided by the exchequer. It is not sufficient in the case of the United Kingdom to take the national insurance fund alone and to assume that that is comparable to the picture we have now given you for New Zealand and Australia. In Australia and New Zealand all health insurance, all the means test old age assistance and unemployment assistance, and all family allowances are paid out of the national welfare fund or the social security fund as the case may be. In the United Kingdom however the national insurance fund is limited to those social security programs which are based on the contributory insurance principles in the United Kingdom; and in addition to that, the United Kingdom government pays from the exchequer outside of the national insurance fund the cost of the national health services program, the cost of the family allowances program, the cost of the old age assistance program on a non-contributory basis and the cost of the national assistance program which is a general relief program.

Now, with that in mind, let us look at the paragraph at the bottom of page six.

The CHAIRMAN: Gentlemen, there is the division bell. It is twenty minutes to six so it will be useless to come back tonight. I propose that tomorrow afternoon we hear representatives of the Canadian Chamber of Commerce who will be present here. We will proceed with their brief at 4:00 o'clock. I suggest that we have a meeting tomorrow morning at 11:00 o'clock in order to complete Dr. Davidson's summary.

Mr. FLEMING: I would suggest a meeting a little earlier. There is another meeting at 11:00 o'clock, the Public Accounts Committee.

The CHAIRMAN: Let us postpone the Public Accounts Committee meeting. We will meet tomorrow morning at 11:00 o'clock.

The committee adjourned.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

WEDNESDAY, May 10, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 11:00 a.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairman) were present. Mr. J. Lesage presided.

The CHAIRMAN: Senator Fallis and gentlemen, we have a quorum.

This morning there will be distributed to members of the committee additional information entitled "Supplementary Memorandum re Canada's Old Age Program". It contains the answers to questions asked by members—perhaps not all of them, but the balance will be supplied shortly. I suggest that it be incorporated as an appendix to today's Minutes of Proceedings and Evidence. (See Appendix "E". Will you proceed, Dr. Davidson?

Dr. G. F. Davidson, Deputy Minister of Welfare, recalled:

The WITNESS: Mr. Chairman, yesterday we finished the first part of the section beginning on page 6 of this memorandum, entitled contributory versus non-contributory.

I had dealt with the position in Australia and New Zealand and pointed out that in general terms it is fair to say that the over-all social security program in Australia is 100 per cent based on the contributory principle; whereas, in the case of New Zealand, it is probably fair to say that their over-all social security program is about 70 per cent based on the contributory principle. Those are the only two countries that go that far—to the extent of two-thirds or more—in financing their social security programs on the basis of direct contribution.

I was in the middle of a discussion on the last paragraph of page 6 where I referred to the position of the United Kingdom which, next to Australia and New Zealand, places a good deal of emphasis on the principle of contribution and also relies to a considerable extent on the amount of revenue which they derive from the application of the principle of contribution. But, the United Kingdom as I mentioned, is more difficult to get clearly in perspective. We are dealing with two things: first, the national insurance program containing the old age and retirement insurance plan, and in that there is embodied the principle of contribution from employers and employees. But there is also a substantial subsidy from the exchequer out of general revenue. That is not the whole picture, however because, in addition to that insurance program which has a heavy subsidy from general revenue, the United Kingdom provides out of general revenue directly for the costs of a number of programs which in the Australia and New Zealand schemes are included in the social security program and financed out of the contributions. So to get a complete picture of the United Kingdom that would be comparable with New Zealand and Australia, you have to take the insurance program itself and then add to that the cost of family allowances, non-contributory old age pensions, national assistance, and national health services. When you get that picture you find the degree of subsidy from the United Kingdom exchequer is very heavy indeed.

Turning for a moment to the narrower picture of the insurance program itself, you will see that in 1948 it was estimated that the total expenditure under the insurance program alone would amount to 452 million pounds. That includes not only old age insurance but other benefits that are provided in the insurance program in the United Kingdom. Of that 452 million pounds, on the basis of the original estimate for 1948, it was anticipated that the employee-employer contributions would account for 313 million pounds. So that the insurance fund was expected to start out on the basis of being about 70 per cent contributory with about 30 per cent subsidy from the exchequer supplements or exchequer grants. Now if you add to that picture the exchequer funds required for financing these services which we have already mentioned, and which are outside the insurance program, you get a completely different picture which is shown at the bottom of page 6. The total exchequer contributions, including subsidy of the insurance program, and including the cost of the national health service, the national assistance, means test old age pensions, family allowances—total exchequer, contributions, amounted to 535 million pounds in 1949-50. It is estimated that the figure will go up to 668 million pounds approximately in the current fiscal year.

Mr. BROWN: According to my figures that amounts to about \$2,057 million.

The WITNESS: Yes. Now, when you set those amounts from the exchequer for all social security purposes alongside the employer-employee contribution for insurance purposes, you get a picture that is more directly comparable with the figure I have already given you for Australia and New Zealand. There, you

find in that all-inclusive picture about 65 per cent of the total revenue required for all social security purposes in the United Kingdom coming out of the general exchequer. So that to sum up you find Australia in those terms as a 100 per cent contributory program for its over-all program, you find New Zealand as 70 per cent contributory for their over-all social security purposes, and you find the United Kingdom currently with about a 35 per cent contributory program for over-all social security purposes. Those ratios are based on a comparable range of benefits—namely the total social security program existing in those three countries.

Now, you should add to that current picture for the United Kingdom the fact that within the insurance program itself, as time goes on, the exchequer subsidy will become heavier and heavier, as shown by this memorandum. You will see that fifteen or twenty years from now the degree of subsidy from the exchequer for the total social security program will be even higher than the 65 per cent at present—and I suggest that it might run as high as 75 per cent. That is based on the point made in the memorandum that even with respect to the insurance program, the exchequer subsidy although only 30 per cent now will rise in 1978 to 56 per cent of the total that is required for insurance purposes. That increased subsidy in the insurance program will affect the over-all degree of subsidy in the United Kingdom total program by perhaps as much as 10 per cent.

Are there any questions on the United Kingdom picture as given in that paragraph, Mr. Chairman?

I will then proceed to the section on the United States. There are some odd points here than I would perhaps have been better advised not to include but I thought there was one rather interesting, if somewhat specious point which I would draw to your attention. If you will turn to the United States program you will find a considerable degree of reliance on the contributory principle but you will find it in two extreme ways. From the point of view of the old age insurance program itself you will find 100 per cent reliance on the contributory principle because O.A.S.I., as members will recall, is financed exclusively and entirely both now and for a good many years in the future from contributions of employers and employees. It has at no time to date received any subsidy from the general revenue of the United States government; and with its reserve build up to \$11½ billion it is evident that for a good many years to come it will finance itself on the basis of the employer-employee contributions. From the point of view of O.A.S.I. you can see it recognizes 100 per cent the principle of contribution in its financing policy.

Then I show in the following portion of this memo another point of view, although it is admittedly rather specious. The United States old age security program is also 100 per cent contributory in that they are collecting funds in the insurance program which, at the present time, are more than sufficient to finance the entire cost of their supplementary old age assistance program as well as the insurance program itself. Now, of course they are not using the funds for that purpose but the point I am making is that the total amount of money that is currently being taken from the population of the United States in terms of the old age insurance program is sufficient, if the United States as a matter of policy wanted to convert to a pay as you go approach, to finance the cost of both the old age insurance and the old age assistance programs.

By the Chairman:

Q. Suppose they turn to a pay-as-you-go system, for how many years would the present reserve be sufficient to pay the expenses and disbursements of both systems?—A. That is an extremely hard thing to say, Mr. Chairman. One can only say that at the present time the current intake is sufficient to defray the

cost of outgo both on old age insurance and old age assistance. Now, even if current expenditure on old age insurance and old age assistance continues to rise as it will undoubtedly do, it would take quite a while to eat up the \$11½ billion in the reserve. That is about as far as you can go in a statement. It is simply an interesting point that has no real validity in terms of the discussion of contributory versus the non-contributory approach.

Q. No, but it is interesting to note that the collection of 1 per cent from employees and 1 per cent from employers for the first thirteen years under a contributory system allows the piling up of \$11½ billion in the United States?—A. That is correct.

Q. Which would mean if it was on a pay-as-you-go basis the contributions could be a lower percentage than 1½ per cent at the start?—A. At the start, as they were in effect in the United States, but they would have to take a rise progressively through the years.

Q. Yes but they could have lowered it below 1 per cent or 1½ per cent for employers and employees if they had not built up that \$11 billion.

Mr. MACINNIS: May I ask Dr. Davidson whether the size of the old age insurance fund at the present time is not due to the fact that a great many people who are contributing to it are not now and may never be in a position to draw benefit from the program as contributions are based on employment. Contributions are paid, when a person is employed, by both employer and employee and, those who are intermittently employed, for instance, may never acquire a sufficient contribution to be able to participate?

The WITNESS: I think that is an element in the building up of the reserve, undoubtedly. I must say, however, that I believe the major element is the element involved in the payment of contributions now by people who will eventually draw benefits. These reserves are being built up to guarantee to those individuals that they will in future years get benefits at the appropriate time. That I think accounts for the bulk of it, but undoubtedly there is an element of truth—although I cannot put a dollar sign on it—in what you say. It is probably true to a substantial degree that there are people who pay contributions into the funds but who, for one reason or another such as premature death, intermittent employment, and other reasons, will never draw benefits. There are for example individuals from Canada who might go to the United States for a number of years and engage in employment there, and then leave the United States and go to some other country. Such an individual may have paid a contribution for a sufficient time to establish his eligibility for benefits but, if he winds up in some far off corner of the world and reaches retirement age in that place he is never going to think of going back and applying for his rights or benefit under O.A.S.I.

Mr. BROOKS: Is there not another element in the building up of the large fund, and it is the fact that in recent years, particularly during the war, nearly everyone had employment and everyone was receiving fairly high wages. The percentage of those high wages would increase the fund very materially.

The WITNESS: There would be a much larger percentage of persons, Mr. Brooks, up against the \$3,000 income ceiling for contribution purposes, than could possibly have been anticipated by the actuaries when they set up the original calculation in 1935.

Mr. BROOKS: And a larger per cent than you would have in normal times as a rule?

The WITNESS: Quite.

By Mr. Brown:

Q. What would be the effect of recession on a pay-as-you-go basis of contribution and benefits?—A. The picture is twofold I think, Mr. Brown. It

would have the effect of decreasing the income accruing to the fund both through lost employment and fewer people therefore contributing, and to the extent that a depression period results in decreased wage levels; and that will also result in decreased contributions from those people who continue in employment.

Q. And a decrease in the income of the state, consequently?—A. Well, before you go on to that, on the other side of benefits, because of the scarcity of employment, you will get a larger number of persons who will accept retirement immediately they reach the eligible age—unlike the situation now where, because of buoyant employment conditions, perhaps one-third of people in the United States, eligible for benefits under O.A.S.I. are continuing to work and refusing their benefits. If a depression came along large numbers of those people would go on O.A.S.I. so that you would have decreased revenue as far as the fund was concerned from its normal contributions, and a sharp upturn in the amount of benefits.

Q. In other words you would increase expenses and decrease your income? —A. That is right. At that point you might begin to eat into your reserve.

Mr. PINARD: The same thing applies to any program of unemployment insurance?

The WITNESS: Exactly.

The CHAIRMAN: It applies to all government enterprises.

By Mr. Brown:

Q. You are assuming on this pay-as-you-go program that you have a reserve?—A. On a pay-as-you-go basis you would have no reserve—and that would reflect immediately.

Q. And on that basis you would have no reserve?—A. You would have to do either one of two things: you would have to increase the contribution rates and decrease the benefit rates, or you would be faced with providing a subsidy from the general revenue of the country at a very difficult time, namely the depression time when the general revenue was adversely affected.

Q. How could you increase the contribution by the employee when he had no income or when his income was being lowered considerably—as much as 30 per cent or 35 per cent?—A. I simply say theoretically that you could do that. I do not say that the government would do it—that is your problem and not mine.

The CHAIRMAN: Well, Dr. Davidson, the same would be true or is true with our present means test system?

The WITNESS: Quite. The means test program is financed entirely from general revenue on a pay-as-you-go basis and essentially you face the same problem in a means test program.

Mr. BROWN: We are assuming there would be larger benefits.

The WITNESS: On any pay-as-you-go system if you run into a period of depression you have no cushion such as is involved in the establishment of any actuarial reserve or contingency reserve to carry you over the lean years. The hope would be in a funded reserve system such as they have in the States that the reserve would last longer than the depression would last. To that extent they have a cushion. The hope in Australia, where they have a contingency reserve of a small amount rather than an actuarial reserve, would be, that it would last long enough to get past the recession.

Mr. BROWN: It is a gamble anyway you look at it.

Mr. BROOKS: It is a strong argument for cyclical budgeting.

The WITNESS: Coming back to the summary, as far as the United States is concerned, I mentioned this interesting point a while ago only to point out

to the committee that if at any time the United States in future were to decide it wanted to switch over from its present system to more of a pay-as-you-go basis, there are some grounds for thinking, in the light of this statement, that it might not be as difficult as it appears on the surface.

From the summary you will see that the United States in 1948-49 provide \$442 million for the aged out of their contributory insurance program based on the employer-employee contributions, with no subsidy from the States. They provided on the other hand \$1,259 million in the same year terms of means test old age assistance financed entirely from federal and state general revenues. On that basis the United States program is presently about 74 per cent non-contributory and about 26 per cent contributory.

Sweden is an extreme example of a country which, while paying what you might call lip service to the principle of contributions, actually departs from that system to a very large extent by financing the bulk of its national pension scheme—that is the universal pension scheme in Sweden—out of general revenue. The total cost of the national pension program for old age, widows, and invalid benefits, was 706 million crowns in 1948-49 and 79.2 per cent of that was financed out of general revenue of the country. Only 17 percent was financed from direct earmarked contributions in the Swedish program. These figures relate only to the national pension part of the Swedish social security program; and when you add to that as we did in the case of the United Kingdom the other social services in Sweden which are provided out of the general revenue of the country, you will find that the element of contribution, so far as the Swedish social security program in concerned, is reduced to a very nominal figure of 6.7 per cent of total social security expenditures.

I should say there Mr. Chairman that we are not absolutely certain that there are no other contributory features applying to other items of the Swedish social security program but our understanding is that this is the only element of contribution. If that assumption is correct the figure of 6.7 per cent stands as the figure which represents the extent to which the Swedish program is based on the contributory principle.

If there are no further questions on this section, Mr. Chairman, I think we might just pass on for a moment to the next two items which are rather brief. One relates to this question of the relationship of the benefit to the contribution record. Most orthodox insurance programs provide individualized benefits, if they are strictly insurance programs, that are based in some degree at least on what that individual has done himself in terms of contribution during his working years. You think of that in terms of ordinary private insurance and you think of that in terms of our own unemployment insurance program. It is interesting to note in connection with the schemes we have reviewed that the States O.A.S.I., and the United Kingdom insurance program, do adhere to these insurance principles in that they relate the right to benefit and the amount of benefit to some extent at least to the prior record of the individual's contributions. Now that has important implications in terms of administrative costs to the extent that you have to keep a record of individual contributions in order to establish ultimate eligibility for benefit. You have to set up a pretty complicated record system that involves the making of records of that individual's contributions for each of the years that he has been in insured employment.

By Mr. Brown:

Q. In the United Kingdom they all have the same benefits, but they are based on the period of employment?—A. There is a flat uniform benefit paid; but if you will refer to the table which is in the document that Mr. Willard presented the other day you will find certain provisions of this kind: that an individual, to qualify for the retirement benefit must have at least 156 weeks of contribution.

That means that you have to keep a record for three years at least to establish the point of eligibility. Then it is provided that in the entire work span of the individual he has to prove that he has a yearly average of 50 weekly contributions paid or credited.

That means, in the case of a man who starts in at the age of 20 and goes on to the age of 65 that for 45 years you have to keep a record each year; you have to check the number of weekly contributions he has paid himself or has had credited to him during a period of unemployment or illness, while he was on other insurance benefits.

Q. But once he qualifies, once he has that period, everything is the same, is it not?—A. No. If at the age of 65 you go back to the individual's record and you find that he has a yearly average of 50 weekly contributions paid or contributed, then he is eligible for the full benefit.

But if on the other hand his average weekly contribution throughout his entire work period is only 48 or 49 he is entitled to only 25s. weekly instead of 26s.; and if he has an average of 15 weekly contributions he is entitled only to 15s. a week; and if he has as little as 13, he is not entitled to any retirement benefit.

I am not suggesting that the British scheme is as detailed or as complicated as the American scheme; but I am pointing out that it is still necessary in the British program to maintain a record of each individual for each year of his period of coverage; and to the extent that you do relate—as they do in the United Kingdom and in the United States—the right to benefit and the amount of benefit to these past records of contribution, then to that extent you do impose a much greater load on the administration and incur a much greater administrative expenditure than would otherwise be the case. the case.

By the Chairman:

Q. But they have other benefits under their social security system, do they not?—A. That is right.

Q. And some of them have to be administered on a basis of individual records such as unemployment insurance. So there is not very much more administrative work involved, if they have already to keep individual records for one or other kinds of benefit contributions?—A. Are you asking me to agree with you?

Q. I am asking you to comment; to agree or to disagree either in whole or in part.—A. While there is in my opinion an element of truth in what you say, I do not think it follows at all that by financing ten schemes under one system of contribution you can do so as cheaply as you can finance one scheme under the contributory system. You spread the cost, it is true, but I would just point out this difference; if one is thinking in terms of the two programs you mentioned, namely the unemployment insurance on the one hand and the old age insurance on the other, it is obvious that the unemployment insurance is a short term program where the problem involved is one of keeping records for a short period, five years, let us say. That is entirely different as a problem from keeping the same type of records over the entire life span of the individual.

By Mr. MacInnis:

Q. What about two people who are living as cheaply as one? Do you disagree?—A. I simply want to point out that apart from these two programs, the more orthodox contributory insurance programs in the United States and United Kingdom, all the other schemes in all the other countries, whether means test or not, establish no relationship between the right to benefit at retirement age and the prior record of contributions. That applies to Australia, to Canada,

to Denmark, to New Zealand under both of its schemes, to the United Kingdom under its means testing scheme, to the United States under its means testing scheme, and to the Swedish scheme. So that so far as these countries which we have studied are concerned, there is no relationship of the right to benefit or the amount of benefit to the prior detailed records of contribution.

By Mr. Brooks:

Q. Have we the comparative costs of administration of the old age schemes in the different countries?—A. We have put some figures in, but I have not pulled them together in this document.

Q. Is the United Kingdom cost much larger than ours in Canada?—A. Perhaps Mr. Willard could answer that question better than I could.

MR. WILLARD: I do not think I would like to venture an opinion on that point until I had actually studied the figures; and again I think it is subject to certain reservations which Dr. Davidson mentioned the other day with respect to administrative costs. It would be very difficult to determine the cost, for instance, of the old age section of the British Social Security Program and relate it to the administrative cost of the non-contributory pension scheme in Canada.

MR. BROOKS: You spoke of the complexities of it and I thought I would like a comparison of the costs.

MR. FLEMING: Would not the extent of coverage enter into it very largely because in some schemes your coverage is limited to that portion of the population for whom the administration is relatively simple?

MR. WILLARD: We might try to obtain from Great Britain an estimate of their administrative cost under the non-contributory and the old age scheme at 70 years of age as compared with ours. But since the cost of maintaining records is spread across the whole group of records, I think it would be difficult to bring out that figure. As to the national assistance scheme, you have benefits paid to people of 16 years of age and over, so it would be difficult to get it there for the old age scheme.

THE WITNESS: There is another point to be added in the light of what Mr. Fleming mentioned. There is some difference of opinion in the United States for example as to the extra administrative expenditure which would be involved in extending coverage to these groups which are more difficult to reach, such as the self-employed, where they are proposing to introduce methods such as the income tax return method, and above all the stamp method in order to reach the self-employed in the urban and in the rural areas.

There is evidence in the hearings before the United State Senate Committee on Finance to suggest that the administration expenditures of the O.A.S.I. program in the United States now around \$55 million to \$60 million annually would be stepped up substantially under the unextended coverage program; and I think it is confirmed by the fact that if you go beyond a certain point in coverage under an orthodox insurance program of this kind the problem of collection and administrative expenditure is disproportionate to the extra number that might be brought under the scheme.

By Mr. Fleming:

Q. Let us go back to the agricultural workers again?—A. Yes, and the domestic workers. The minute you try to cover them, you face a very real problem of disproportionately high administrative costs.

My next point is the list of the various ages of eligibility. They were mentioned in passing in the first section on universality of benefits, but I have set them forth for the convenience of members. There are available now for the members some supplementary sheets to the document which was put before you

yesterday and which I would ask your permission to add to that document in the record at the appropriate place. And the headings which are discussed in these supplementary sheets are: "Conditions of Retirement"; "Premiums for Deferred Retirement"; Residence and Citizenship"; "Degree and Extent of Means Testing"; and "Pay-as-you-go vs. Funding".

I do not think these supplementary sheets have been distributed yet to the members?

By the Chairman:

Q. Yes, they are being distributed now.—A. Perhaps I could go on then with the first item, and then the members could pick it up as the document comes before them.

Mr. PINARD: Before we leave these countries—

The CHAIRMAN: We are not leaving them, Mr. Pinard. I know that you have a question about Russia and maybe we could discuss it while the sheets are being distributed.

By Mr. Pinard:

Q. We have discussed the programs in the democratic countries. I feel it might be of interest if we could get some information on the system applied in other countries such as the U.S.S.R. or Spain so that we might be able to get a fuller picture of the whole situation. I do not know whether Dr. Davidson has any information on Russia or any of the other countries, possibly, which are under the influence of Russia.—A. I have a document here entitled "Social Security Legislation throughout the World". It is published by the U.S. Federal Security Agency. It does give in a tabular form—which I said I could not give to Mr. Fleming—details about the schemes in various countries of the world. These details, however, are extremely sketchy. They are not as accurate as they should be in terms of details.

Q. Do they give any information on old age programs?—A. They give old age, invalidity, and survivors' insurance and pensions programs in effect in all the countries concerning which the United States government has been able to get any record. There is a section on Russia, one on Yugoslavia and so on. I do not know how much use it might be to the members, but if the members of the committee wish me to do so, I could either put some tables in as an appendix, or I could read one of them to you, whichever you like.

Q. Could you tell us, for instance, if in that document it is shown whether there are contributions made by the employers?—A. Yes.

Q. In the U.S.S.R.?—A. Perhaps I had better read the U.S.S.R. one to illustrate the kind of thing it provides.

The program was inaugurated in the U.S.S.R.—that is the old age, invalidity and survivors' insurance—in 1922. Coverage is extended to persons employed in "Socialist Sector". That means, state, co-operative and public undertakings, including industry, commerce and state collective farms.

By Mr. Fleming:

Q. But it does not include the salt mines in Siberia, does it?—A. I have not come to that yet.

Coverage is also extended to persons employed in private establishments and private farms (in territories acquired where private farming continues).

By Mr. Pinard:

Q. Private enterprise still exists in some sections of that country according to this information?—A. As I read this the persons who are employed in private establishments and private farms relate to the territories acquired where private

farming continues. That would seem to me to include countries which have been added to the Soviet territory.

Mr. FLEMING: It might mean the private farms of the commissars.

Mr. LAING: I do not think that anything we might learn from this country would have any application to our problems here.

Mr. PINARD: I think that whatever precise information we can go out of it would certainly be of interest to the general public. It is difficult to be able to answer whatever representations are made by groups that are under the influence of a communist organization. In other words, we should be in a better position to give information if we received precise information in connection with the problem.

Mr. LAING: Are we going to have a brief from the communists?

Mr. MacINNIS: If it goes on the record I think it should go on without being intermingled with wise cracks.

The CHAIRMAN: There are only three more lines, so perhaps Dr. Davidson might read them and then we will go back to our normal procedure.

The WITNESS: Additional persons covered in addition to the groups I mentioned are students in retraining and specialized courses, if previously employed. And a note is added as follows:

"Important exclusions: workers on collective farms; persons owning farms; occasional workers."

By the Chairman:

Q. That is all?—A. That is all the coverage.

By Mr. MacInnis:

Q. As of 1922?—A. That is the date of the original law but the details have given you are details in terms of the original statute as it currently stands.

By Mr. Richard:

Q. Is the amount of benefit mentioned anywhere?—A. Yes. The insured person is not required to contribute. The employer pays 3.7 to 10.7 per cent of his payroll. The rate varies with the industry. The contribution by the employer also covers cash benefits for health and maternity insurance and family allowances. The government pays full contribution as an employer. The benefit rates are divided into a number of categories. The first category includes underground workers and those in unhealthful industry. Their benefit is 60 per cent of their wages.

The second category includes workers in basic industry; and their benefit is 55 per cent of their wages.

This amount is increased for shock workers, heroes of labour, and for pensioners who continue in employment.

These benefits are based on wages; and the maximum remuneration for purposes of pension is 300 rubles. Wages are computed on average of last twelve months. Minimum pension: 50 rubles a month if no dependents; 60 rubles a month if one dependent; and 75 rubles a month if two or more dependents.

By Mr. Pinard:

Q. Have you got the official exchange rate of the ruble?—A. No, I have not got it.

By Mr. Smith:

Q. How many rubles does it take to buy a loaf of bread? I think I have seen that figure somewhere.—A. There are some United States figures on it and we could get them, if you wanted them.

The CHAIRMAN: I believe Mr. Pinard has received much of the information that he asked for and I do not believe Dr. Davidson could say anything more about it because he has read the whole page on Russia.

Mr. PINARD: I did not believe we could get the complete situation; but I thought it might be of interest to have whatever we could secure. That is why I asked the question.

The CHAIRMAN: There is no reproach there.

Mr. PINARD: I know that.

By the Chairman:

Q. May we go on, Dr. Davidson.—A. May I turn now to the item on page 10 entitled "Conditions of Retirement". You will recall that in some of the plans stated the individual was entitled to a benefit only if he retired from active employment. And this is a matter which is of particular significance in regard to these plans which provide benefits at relatively earlier ages.

If you are dealing with a group 75 years of age and over for example you can pretty well afford to assume retirement in all cases. It may go down as far as 70 years of age; but when you get to 65 or 60 years of age the question arises as to whether you are going to deprive the country of the productivity of a substantial portion of the labour force in the ages 60 to 65 or 70 by saying to them that they can only get their retirement benefit if they retire from active employment.

Under all the means test programs as shown here there is no stipulation as such that an individual must retire from employment; but of course the means test provisions of these means test laws limit the range of outside earnings or income to such an extent that the effect is much the same: that an individual cannot work very much for remuneration and still remain eligible for full pension. His pension is very sharply diminished if not eliminated entirely if he goes into the labour market.

I thought it was interesting to note in Mr. Willard's testimony respecting Great Britain the difference under the means test old age pension law in that country between unearned and earned income. I believe Mr. Brown had a question to raise on that point. The significance of it to my mind was that under the British plan of means test pension they make more generous allowance, as I understand it, for unearned income than they do for earned income.

That means that the British plan is indirectly putting a type of pressure upon individuals who apply for means test pensions at 70 years of age to retire from the labour market. But if they have unearned income, the pressure in terms of means testing is not so great. I think that means in effect that the British are encouraging, in principle, the retirement of their aged people of 70 years of age and over from any participation, or from any substantial participation in active employment.

By Mr. Brooks:

Q. And would it not also encourage savings?—A. I think it puts less of a penalty in terms of the means test on income derived from accumulated savings than it does upon income derived from current employment, and, as I pointed out the other day, the same is true of our Canadian system.

Just as in these means test programs, the universal plans of New Zealand and Sweden likewise attach no condition of retirement as a pre-requisite to eligibility for benefits under their universal schemes. Coming back to the more orthodox insurance schemes of the United States and the United Kingdom, they have a type of retirement condition which is expressed in the following general terms: they say in effect, under their retirement insurance program, that a person must retire from active employment if he is going to draw benefit. He is allowed a certain amount of marginal employment, part-time

employment in the case of the United States, and he is allowed to earn up to \$15 a month in covered employment. But if he earns more than that, then he goes off benefit completely for the month in which he earns more than \$15.

The United States is of course more generous in terms of uncovered employment. There they do not require a worker to forfeit his benefit if he accepts employment in the uninsured area of the employment market.

The United Kingdom has a slightly different method of achieving the same objective, and that method is stated in the last paragraph. First of all they allow an insured retired worker to earn as much as 20s. a week to supplement his retirement benefit without any penalty; and that applies to all types of employment, there being no distinction between covered and uncovered employment. But if he earns more than 20s. in a week, there is a diminution of his benefit to the extent of 1s. for each shilling earned in excess of 20s. But the United Kingdom says in the case of men over 70 years of age and women over 65 years of age that they are not affected in any way by this provision and may draw the full benefit to which they are entitled regardless of earnings. They say to them: from these ages your retirement benefit is your own as an absolute right and you are free to earn as much as you can in outside employment without loss or diminution of that benefit.

There is a limit on the hours of work as well in Britain so far as it applies to the group up to 70 years of age in the case of men and 65 years of age in the case of women.

In the following section there are some notes which we drew up on the subject of Premiums for the Deferment of Benefit. I do not think I need to delay the committee very long with them. But it is an interesting feature to consider in terms of any plan which involves the payment of benefits at a relatively early age, where the element of cost is considerable and where, for that reason as well as for the desirability of keeping as many people as possible actively employed, there is something to be said for encouraging deferment of retirement by offering a premium in the way of added benefit for those who work an extra year or so and do not apply for their pension the moment they reach the age of 60 or 65, whatever it may be.

Then there is another section entitled "Residence and Citizenship". These are factors which to some extent affect eligibility and affect the universal application of the plans in the various countries. I do not believe it is necessary for me to dwell on them at all. The details are pulled together here for all the schemes, and I think the chief point of interest to note is that there is no country which has abolished completely both residence and citizenship requirements. There is usually one or the other limitation in effect.

By Mr. Ferrie:

Q. What about Sweden?—A. Sweden has no residence requirement but it does have a citizenship requirement.

By the Chairman:

Q. And the same thing applies to Denmark?—A. A Finnish citizen could not go across the border into Sweden at the age of 67 and apply for a Swedish benefit. He would first have to become naturalized and become a Swedish citizen.

By Mr. Laing:

Q. Is there anything said with respect to payments made outside of a country, for residents who are outside that country?—A. There are some situations; the British plan is an example of it. Under that plan any person who applies for and draws an old age insurance benefit in the United Kingdom, and then moves to another part of the British Commonwealth is entitled to receive his retirement insurance benefits.

Q. That is the only case?

By Mr. Brown:

Q. Are there not some states in the United States where having applied for and got your assistance you can get your claim—A. Outside the state? I am not informed that they can draw it outside the country.

Q. But my information is that in Michigan they can.—A. Do you mean that a person in Michigan can come and live in Windsor and draw his Michigan state old age assistance benefits?

Q. I am informed that is so.—A. I would be very much surprised.

Q. It may be that I refer to the insurance program?—A. Oh, the insurance program yes.

The CHAIRMAN: The individual would have a right to that?

The WITNESS: I should add the point which Mr. Fleming brought up the other day that there are some Canadians who are insured under the United States Railroad Retirement scheme. In some countries there are also reciprocal arrangements—as between Australia and New Zealand, which permit a certain reciprocity of movement of pensioners between the two countries. There has been quite a bit of work done on that in terms of commonwealth countries, involving Australia, New Zealand, northern Ireland and the United Kingdom, but those are the only examples we have at the moment, Mr. Laing, which do provide for payment of benefits outside the country of origin.

Mr. FERRIE: It does work for companies—I mean men from the United States working in other parts of the world?

The WITNESS: I cannot speak specifically of the United States program in that regard but you are quite right that in some of these insurance programs they will continue to include under protection of the program certain workers who are working in foreign countries. Take for example the New Zealand program: the people who are here in the high commissioner's office at the present time are all making their contributions to the New Zealand social security program and maintaining their eligibility under that program.

By Mr. Laing:

Q. Would they be paid if they remained in Canada upon retirement? That is the essential point?—A. I would think so, for a time at least, because in effect under their residence provision, absences from New Zealand during periods in the public service are counted as though they were periods of residence in New Zealand and therefore their eligibility for benefit would be the same as if they had remained in New Zealand.

Q. We have had a number of cases where a person will say that he would be much better off if he went back to his people in England. I do not know how extensive that is—perhaps it is very extensive?—A. I think that apart from these reciprocal arrangements I have mentioned there is no means test program that continues the payment of benefits outside the country. In the United States, movement outside the particular state itself is frequently permitted, but I am quite certain, apart from these reciprocal arrangements, there is no continuation in other countries of means test benefits to persons who move to a foreign country.

Q. When you say reciprocal what would it be—money for money? It might be ten to one?—A. If a person has lived part of his life in Australia and part of his life in New Zealand, and has made contributions during his lifetime to those two schemes, if he reaches retirement age in Australia he gets the Australian benefit as long as he is in Australia. If he wants to move back to New Zealand he gets the New Zealand rate of benefit. That is the way it works.

The CHAIRMAN: Are there any further questions on residence requirements?

The WITNESS: Now I come to the section on degree and extent of means testing. I did not mean to convey by this heading that we should go through all the details of means testing procedure which would obviously be too difficult in the case of a summary of this kind. The point I wanted to follow through was the extent to which means testing has been eliminated or is to be eliminated in the various kinds of programs we have studied.

As you will see from the summary given here the extent of means testing varies considerably as between different countries. No country has completely succeeded in eliminating the means test from its entire old age security program. It seems to me that the United Kingdom and Sweden have come close to that at the present time. Australia, Canada, and Denmark, have of course 100 per cent means test programs. New Zealand, to follow this through very briefly, is shown here at the present time to have about a 63·8 per cent means test program, in terms of the numbers of persons receiving the two different kinds of old age benefits. In New Zealand it should be pointed out, that as the universal superannuation rate rises, the percentage of means tested benefits against non-means tested benefits will diminish. In the United States the picture is given in terms of the two programs—O.A.S.I. and old age assistance. You will note there that I used the figure 1,700,000 aged recipients under old age insurance rather than the figure I gave before of 1,900,000. The reason for that is I have taken out of the figure representing old age insurance the 200,000 individuals who are means tested for supplementary pensions under the old age assistance program. The proportion means tested as against non-means tested is 2,700,000 and 1,700,000 respectively. That indicates that at the present time on the basis of case loads that 61·4 per cent of all cases receiving benefits under the twofold program in the U.S. are subject to means tests.

That brings out an interesting point. I was a bit surprised to find the means test percentage in New Zealand on the basis of this comparison was slightly higher than the means test percentage in the United States. I think the answer lies in the fact that in the New Zealand percentage you are taking a much larger basis. You are taking in effect the entire population over sixty-five, plus a substantial number of the population from sixty to sixty-four, whereas in the United States you are only taking those percentages in terms of the group receiving one or other of the types of benefit and you are disregarding completely from your percentage calculation some seven million people over the age of sixty-five who are not receiving either type of benefit. That then distorts the percentages to a considerable degree but the percentages given here are the percentages of those people who are drawing any kind of benefit at all, who draw that benefit subject to a means test.

By Mr. Fleming:

Q. You are including also those who may enjoy only some of the benefits allowed within the maximum permitted under the law?—A. Quite.

Q. As that varies from country to country it makes comparison sometimes a little misleading?—A. I quite agree with you and I would not like to put too much weight on these percentages. What I am trying to get at is how many people are there under this old age program who are drawing benefits in respect of old age, regardless of what it is, and how many of those escape means test and get the benefit free from means test; and how many on the other hand get the benefit only subject to means test. That is really all that we are trying to pull together here.

Q. I just wanted to make the point that in many cases the recipient's pension is reduced by the means test? He may survive the means test in part only?—A.

That is right, but this shows the extent to which individuals are required, if you like, to subject themselves to means tests in order to get any benefit at all. Do we agree on that concept?

Under all these schemes there will be some partial and some full benefits, some very nominal benefits, and some complete full-rate benefits.

In the United Kingdom, you will see they have, from some points of view, succeeded better than in any of these other countries in getting away from the means test so far as the aged are concerned; but here again you have to take into account the fact that the United Kingdom total of benefits paid to individuals under the two programs does not include the entire population from the age of sixty or sixty-five or even seventy. Of the total number of individuals drawing benefits in respect of the scheme, about 4,100,000 were on retirement benefit at the end of 1948 and of those 491,000 had to have supplemental means test benefits paid, under National Assistance. In addition 461,000 were in receipt of old age pensions on a means test basis, being ineligible for any kind of benefit under the retirement scheme. Working those figures out, you find that so far as these two schemes are concerned, about 21 per cent of all cases receiving benefits under those two schemes receive them subject to means test. To that one should add the fact that there are additional numbers receiving national assistance subject to means test in these older age brackets. Those would include people not eligible for their old age pension or retirement benefit but, as the numbers are not available, we cannot include them in the comparison.

The Swedish figures are difficult to get at. We know they pay a universal benefit to all at sixty-seven; we know they pay two types of supplementary benefit—one for wives of pensioners between the ages of sixty and sixty-seven, subject to a means test; and more important a housing supplement is paid in four of the five rental areas in Sweden, subject to means testing. Unfortunately we do not know what numbers of the pensioners receiving pension apply for and receive the extra housing supplement. We have no accurate figures to indicate what percentage of the pensionable group in Sweden are subject to means test for this supplemental housing allowance.

By Mr. Ferrie:

Q. Dr. Davidson, have you any idea why Sweden brought in that age of sixty-seven?—A. I suggested yesterday, Mr. Ferrie, and it was simply a suggestion, that Sweden like other countries found that it had to compromise somewhere, and rather than compromise on the adequacy of the universal benefit as New Zealand did, and pay everybody over sixty-five a partial benefit, Sweden, it seems to me, chose the other course of saying: we will pay a full benefit to as many people as we can afford, but that means that we cannot put it all the way down to sixty-five and we will have to stop at sixty-seven. There are good reasons for that; they would go on to rationalize as to the desirability of keeping a substantial number of the people over sixty-five in the active labour market. I think in that connection it is interesting to recall the percentage Mr. Willard gave the other day for the United Kingdom. They are only estimates or expectations, but they expect that even though benefits are available at sixty-five for men and sixty for women, only 40 per cent of the people will choose to retire at the eligible ages and draw benefits. Another 30 per cent will retire between those ages of eligibility and the age of seventy, but there will still be 30 per cent of the people eligible to draw pensions from sixty to sixty-five who will elect voluntarily to stay in employment in the active labour market until the age of seventy or beyond.

The point of that which I think is significant is that this area between sixty and seventy in the case of women and sixty-five and seventy in the case of men, is not an area where you can assume that it is necessary or desirable

or even desired by all people themselves to retire from active work and go on retirement benefits.

Q. Do they have to go at age sixty-seven in Sweden?—A. There is no retirement condition. They get the benefit as a matter of right even though they go on working until they are a hundred.

By Hon Mr. Horner:

Q. Although it is possible as you say, do you not think that it would be difficult for those people to secure employment because the employer would say that they drew a pension and therefore did not need the employment?—A. Senator Horner, that undoubtedly is a factor in some cases but I think the evidence shows pretty conclusively, both in the United Kingdom and the United States, that a substantial number of individuals who are eligible to retire on benefit at sixty-five do not want to do so. They want to keep on working and do not find it profitable to do otherwise because they have a steady job anyway.

Q. My point is would they be as well off? Would they not be handicapped because a pension was available to them?—A. I would not go that far. I would agree with you that for anyone who falls out of employment around the age of sixty-five it is more difficult to get employment, whether there is a pension plan available or not; but I am not certain that difficulty is any greater because of the pension plan than it is because of the natural reluctance to take a new employee at the age of sixty-five.

Mr. FLEMING: It depends on competitive conditions in the labour market, to a great extent?

The WITNESS: Oh, yes. During the war years I am quite satisfied there were large numbers of individuals who came out of retirement and went to work after the age of sixty-five. That situation might be quite the reverse under a less favourable economy.

Mr. LAING: That is a two-edged sword—because we have people working in our province where they tell us that they are happy to work for less because they are drawing a pension.

By Mr. Ferrie:

Q. How do you think our scheme at the present time compares with that of Sweden?—A. I doubt whether that is a question I should answer directly, Mr. Ferrie.

Q. The reason I was asking is that a lot of people out in the country say that the Swedish system is a far better system than what we have got. I have looked it up and gone through it but I cannot say that it is a far better system?

The CHAIRMAN: Yes, and there were a lot of Canadian people who said before this committee began to sit that the best system was the New Zealand system. Some of them have changed their minds now.

Mr. FERRIE: No, no, the C.C.F. ditched that some time ago.

Mr. MACINNIS: I have not so far been convinced that it is not the best system.

The CHAIRMAN: We would have to be sure that those people who say that the Swedish system is the best in the world know all the systems in the world and, especially, the Swedish one.

Mr. FERRIE: Some of our people have been over to Sweden and they come back and say that is the system. I think people in western Canada say that, and that is the reason I asked the question.

The CHAIRMAN: You could answer them by sending those people copies of our minutes.

Mr. FERRIE: All right, give me some.

The CHAIRMAN: Give me a list of your people?

The WITNESS: The next section is on pay-as-you-go versus funding. This is an interesting point because one hears so much discussion in regard to industrial pension plans and the desirability if not the downright necessity of financing industrial pension plans on a funded basis. I am quite sure the question arises in the minds of the members as to whether the same necessity applies to governmental schemes as distinct from private pension schemes. Here, the experience in the countries under review shows that relatively little emphasis is placed on the principle of funding. The only scheme in which there is a real element of actuarial funding and that has established a modified actuarial reserve, is the United States Old Age and Survivors' Insurance program. Even there there have been departures from the original concept of the scheme in the direction of more and more modification of the full actuarial reserve concept.

Now, so far as other schemes are concerned, the means test programs of the countries mentioned in paragraph 2—Canada, Denmark, The United Kingdom, and the United States, are of course all financed out of general revenue on a pay-as-you-go basis. There is a slight difference in the case of the Australian means test program, the two programs in New Zealand, the United Kingdom retirement insurance, and the Swedish national pension plan. Those all have in them an element of contingency reserve funding in that the direct earmarked contributions plus in some cases subsidies from the general revenue of the country, are placed in a special fund and any surplus in that fund is carried over from year to year as a contingency reserve. But that is simply an accumulated surplus; it is a contingency reserve maintained on the pay-as-you-go basis and it is not in any sense of the word a strict actuarial reserve built up for the purpose of providing for the distant future. All of these contingency reserves are really cushions, as I said before, to make it easier for the fund to carry on without a sudden increase in governmental contribution during a period of decreased economic activity.

By Mr. Laing:

Q. Is it safe to say, Dr. Davidson, that there is a close relationship between the concept of pay-as-you-go, and payments out of the national exchequer.—A. May I have the question again?

Q. There is a close relationship between pay-as-you-go, and a reliance upon the national exchequer?—A. I think generally that is correct—the one exception to that being in the case of Australia.

Q. In other words the source of the payment?—A. In Australia the pay-as-you-go concept is inherent in the scheme but there are no payments from the exchequer.

Q. That is the only case?—A. Yes.

Mr. Brown: Do you mean the approach is sort of pay-as-you-go because they pay it out of the exchequer?

By Mr. Laing:

Q. If we emphasize pay-as-you-go, they are going to emphasize payments out of the national exchequer or a greater reliance upon the national exchequer. Do they not go side by side, or will not that be the tendency in the future?—

A. It is not necessarily a tendency as Australian experience shows. The Australian plan derives all its funds from the social services contribution of individuals and the payroll tax, and yet they have a pay-as-you-go plan. They get a head start on themselves by imposing contributions a couple of years in advance—paying relatively little by way of benefit in the first two years.

Then they started on their provision of benefits and they have the first two years of reserve essentially as a backlog. Apart from that they have a pay-as-you-go basis but it does not involve payment from the exchequer.

By the Chairman:

Q. Did you not say yesterday that eventually in Australia they will have to rely at least in part on the general revenue?—A. No, sir; I did not say that.

Q. You said it was possible that they would have to do so in future years?—A. No.

Mr. BROWN: Only in the event of a depression.

Hon. Mrs. FALLIS: I asked what would happen, in the case of a depression if the employers and employee payments could not make up the fund. There is no provision as it is stated here to pay anything out of general revenue.

Mr. BROWN: It was the statement of policy.

The WITNESS: That is correct. A statement of policy was made by either the premier or the Minister of Finance to the effect that should the contingency arrive, the Australian government would meet the deficit from general revenue—but that is not contained in the Act.

The CHAIRMAN: I was right—I said eventually.

The WITNESS: Oh, no.

The CHAIRMAN: In the event of a depression.

The WITNESS: Yes that is possible but not the only possible course of action. In the meantime the government could, as a matter of policy, if so desired, increase the contribution rates in an endeavour to meet such a deficit, or reduce benefits.

Mr. BROWN: The chairman means that they would probably have to do so.

The CHAIRMAN: Yes, let us say "probably." It is just a play on words—we all mean the same thing.

Mr. SHAW: Is it not a fact that all of these schemes are in the final analysis underwritten by the government. Rather than make drastic cuts in the payments to individuals, whether the provision is written or just implied, they are underwriting the scheme?

The WITNESS: I think that is correct, Mr. Shaw. Except in Australia and O.A.S.I. in the United States you have even now a degree of underwriting from general revenues in most countries. And you have in Australia a policy declaration that the government will underwrite the scheme, and in the United States you have at the present time in the Social Security Act a provision which states that the government would be prepared to consider making a contribution out of general revenue at any time that the actuarial reserve reached a point where it could not finance the old age and survivors' plan.

The CHAIRMAN: If there is nothing more we will meet this afternoon at 4 o'clock when we will hear representatives from the executive council of the Canadian Chamber of Commerce. We will have Mr. J. H. Brace, the chairman; Mr. J. C. Crean, member of committee on pensions; and Mr. D. L. Morrell, general manager.

The committee adjourned.

APPENDIX "A"

OLD AGE INCOME SECURITY PROGRAMS

SWITZERLAND

RESEARCH DIVISION

DEPARTMENT OF NATIONAL HEALTH AND WELFARE

OTTAWA

MARCH 1950

I. INTRODUCTION

The Swiss Age and Survivors' Insurance program was introduced by federal Act in December 1946, and was endorsed by a four to one majority of the Swiss people in a popular referendum held in July 1947. The Act came into force on January 1, 1948.

The program is operated under federal supervision through a national system of funds. It is financed by contributions equal to approximately 4 per cent of earnings, supplemented by annual grants from the federal and cantonal governments. Contributions are required from virtually all persons in receipt of income.

Normal old age pensions, the amount of which is based on average income and number of contributions made, are payable at age 65, irrespective of outside income or whether the pensioner continues to work. A married couple pension, equal to 160 per cent of the pension payable to the husband is paid when the wife reaches age 60. The program also provides for survivors' benefits to widows and orphans of insured persons. Except in the case of non-gainfully employed persons, there is no upper limit to amount of contribution which may be paid. Benefits are, however, limited, both as to the minimum and maximum amounts which may be paid.

A system of transitional pensions, paid on a means test basis at flat rates determined by place of residence, is provided in addition, for persons who have not acquired a right to normal pension by having made at least one contribution to the program.

Unlike most European countries, Switzerland does not make provision for invalidity pensions, though, under the Workmen's Compensation program, benefits are payable in respect of a proportion of wage loss caused by non-work connected, as well as work connected, disability. In addition, there are nation-influenced by Swiss economic and social conditions and the Swiss system of family allowances.

The organization of the old age income security program has been largely influenced by Swiss economic and social conditions and the Swiss system of government. Switzerland is a federal state. The central executive power is exercised by the Federal Council which is composed of seven members and is responsible to two assemblies, the National Council, an elected body, and the States Council, which is composed of two representatives from each canton. The cantons enjoy a high degree of political autonomy and are governed through their own State Councils and elected parliaments or Great Councils.

Approximately 45 per cent of the Swiss population of about 4.5 million is employed in industry and about 22 per cent in agriculture, within an area of 15,950 square miles, about one quarter of which is economically unproductive. Except for timber and water power there are no natural resources. As a consequence, emphasis has always been placed on full utilization of land through small farming methods and on skilled precision manufacturing industries, the large proportion of which are small undertakings. Because of the relatively large number of self-employed and independent workers, it has not been possible to confine social security planning to protection for employed persons only, as is reflected in the complete coverage to all classes and occupational groups which is provided under the Old Age and Survivors' Insurance program.

In age distribution, the population is somewhat older than that of Canada; approximately 22.7 per cent of the population was under age 15 in 1945 as compared to 27.5 per cent in Canada, and about 9.0 per cent of the population was age 65 or over in the same year as compared to 7.1 per cent in Canada. It is estimated that 42.8 per cent of Swiss males aged 65 or over and females aged 60 or over were receiving normal old age pensions in 1948.

II. COVERAGE

Coverage under the Swiss Old Age and Survivors' Insurance scheme is compulsory for almost all persons resident in Switzerland, including foreigners, and for Swiss citizens residing abroad who are employed by a Swiss national. Other citizens living abroad may if under the age of 30 years insure voluntarily under the program; persons over age 30 at the time the Act came into force and were employed abroad were also permitted to insure on a voluntary basis at that time.

The only persons resident in Switzerland for whom coverage is not compulsory are foreigners possessing diplomatic status or attached to international organizations, and persons covered by a foreign scheme giving equivalent protection, and for whom the compulsory payment of an additional contribution would result in hardship.

III. CONTRIBUTIONS

Contributions to the Old Age and Survivors' Program are payable by all persons engaged in gainful activity, including those aged 65 or over, and by non-gainfully employed persons aged 20 to 64, except for non-gainfully occupied wives and certain widows of insured persons, employed persons under age 15, apprentices under age 20, and persons under age 20 or 65 or over who are employed without pay in a family undertaking.

For employed persons, the contribution period extends from age 15 until retirement at age 65, or until retirement after that age. Non-employed persons are required to contribute from age 20 to age 64.

1. Contribution Rates

(a) *Employed Persons.* Employed persons are required to contribute two per cent of their wage or salary and, in addition, employers contribute two per cent of payroll on behalf of employees, to make a four per cent contribution on all wages and salaries.

(b) *Self-Employed Persons.* Self-employed persons earning more than 3,600 francs¹ a year are required to contribute four per cent of their earnings; those earning less than 3,600 francs but at least 600 are required to contribute according to a graduated scale ranging from four per cent of their earnings to a mini-

¹ At May, 1950, the Swiss franc was worth 25.75 Canadian cents.

num of two per cent. Those earning less than 600 francs a year pay an annual contribution of 12 francs. Contribution rates for the group earning less than 3,600 francs annually are shown in Appendix I.

(c) *Non-Employed Persons.* For non-employed persons living on private income, contributions depend on the amount of both their estate and their income and range from 12 to 600 francs a year. To determine the rate of contribution, the value of the person's assets is added to a sum equal to 30 times the annual income from these assets, and the contribution is payable at an arbitrarily determined rate based on this total. For those unable to pay, the canton of residence pays the minimum contribution of one franc per month.

Contribution rates for non-employed persons are shown in Appendix II.

IV. BENEFITS

Provision is made in the Act for two separate old age pension programs¹—normal pensions and transitional pensions. The normal pension is the benefit paid to those who are qualified under the insurance scheme through the payment of at least one annual contribution. It is paid irrespective of other income and is calculated on the basis of the average rate of contribution obtained by dividing the total of all contributions paid by the number of years over which they were paid². The transitional or interim pension is a means test scheme designed to assist persons in need who, by reason of age at the commencement of the contributory program, residence abroad, or other cause, have not made at least one annual contribution to the program.

A. Normal Old Age Pensions

The normal pension is paid at the age of 65 to all single insured persons, whether male or female, and including widows, widowers and divorced persons. For married couples, the normal pension is paid at an increased rate, when the husband has completed his 65th year and the wife her 60th. For separated couples provision is made for half the pension for a married couple to be paid to each spouse.

The pension is paid irrespective of whether or not a person continues to work, and regardless of the amount of outside income.

1. Amount of Pension

The normal pension is payable at the full rate when at least 20 annual contributions³ have been made in respect of the person for whom the pension is payable. When at least one but less than 20 annual contributions have been made, a partial pension is paid. However, where average annual contribution has been 75 francs or less, the pension is paid at the full rate payable in respect of 20 annual contributions, irrespective of the actual number of contributions made.

¹ In addition to old age pensions, survivors' pensions are paid to widows and orphans. Pensions are paid to widows who have one or more children in their care at the time of the husband's death, or to widows without children, who are aged 40 or over at the time of the death of the husband and have been married for at least five years. The amount of pension paid varies with both the age of the widow at the time of the death of the husband and his contribution record. When the widow reaches age 65, she becomes entitled to the old age pension. Orphans' pensions are payable until age 18, or until age 20 if in school, apprenticed or mentally or physically incapable of earning a living. The amount paid depends on the contribution record of the parent or parents at time of death.

² Where a person has made contributions at age 15-20, the amount of the contributions but not the number is used in the calculation of pension. Extra credit is, therefore, given for work at an early age.

³ Since the full pension is theoretically paid on the basis of contributions made over the 45-year period from age 20 to 64, it would appear that the contribution period of 20 years required to qualify for full pension was selected in order that the program would mature during the lifetime of the present generation.

The partial normal pension is made up of two amounts; a basic pension, which is the full normal pension payable in respect of an average contribution of 75 francs, plus an additional amount, for each year in which a contribution has been made, equal to one-twentieth of the difference between the basic pension and the pension that would have been payable if the average of contributions actually paid had been maintained for 20 years.

Details of the method of calculating pensions for single persons and for married couples follow. The amount of full normal pension in relation to average contribution is shown for single persons and for married couples by selected amounts of income in Appendix III.

(a) *Single Person Pension.* The full normal old age pension for single persons consists of two parts: a fixed amount of 300 francs; and a variable portion, the amount of which is based on the amount of average contribution.

The variable portion is six times the amount of average annual contribution up to a maximum average of 150 francs, subject to an average contribution of less than 30 francs being considered 30 francs. If the average annual contribution exceeds 150 francs, there is added a sum equal to twice the number of francs by which the average contribution, up to a maximum of 300 francs, exceeds 150 francs. Average contribution in excess of 300 francs does not influence the amount of pension.

Adjustment for the payment of a partial pension is made, when appropriate, as outlined previously.

The minimum limit of the normal old age pension for single persons is thus 480 francs ($300 + 6 \times 30$) and the maximum limit, 1,500 francs ($300 + 6 \times 150 + 2 \times 150$).

(b) *Married Couple Pension.* When husband and wife are entitled to old age pension as a couple¹ the pension becomes 160 per cent of the full or partial pension to which the husband would have been entitled if single. If the wife has paid contributions of her own in respect of gainful activity either before or after marriage, the amount but not the number of her contributions is added to those of her husband when determining his average contribution for pension purposes.

The minimum and maximum limits for married couple pension are 770 and 2,400 francs, respectively.

2. Allowance for Years of Lowest Earnings

To prevent the pension from being unduly reduced by reason of one or more years in which contributions have been low because of illness, accident, unemployment or similar reasons, the Act provides that, subject to contributions having been paid for at least eight years, the number of years in which contributions have been lowest, up to a maximum of five years, need not be taken into account when determining average contribution for pension purposes. If contributions have been made for 8 to 15 years, the one lowest year need not be counted; if for 16 to 23 years, the two lowest; if from 24 to 31 years, the three lowest; if from 32 to 39 years, the four lowest; and if from 40 to 45 years, the five lowest.

B. Transitional Pensions

The transitional pension program is a temporary measure adopted for persons who are not able to qualify for a normal pension due to age at the commencement of the normal pension scheme or for other reason. The pension is paid on a means test basis and only to Swiss citizens residing in Switzerland. As an income maintenance program for the aged, transitional pensions will diminish in importance as the normal pension scheme proceeds to maturity.

¹ When husband is age 65 and the wife age 60.

Principal beneficiaries are persons who had reached their 65th year when the Act was proclaimed, survivors of deceased persons who were not qualified for normal pensions, and persons who have resided abroad and have not made the minimum contribution for normal pension.

Transitional pensions are flat amounts paid subject to a simple means test. For this purpose, localities are classified as urban, semi-urban, and rural, with maximum income, including pension, fixed for single persons and for married couples living within each type of area.

For residents of urban communities the pension equals half the maximum normal pension and lesser amounts are paid in semi-urban and rural localities, with the minimum pension payable in rural areas equal to the minimum normal pension, i.e. 480 francs for single persons and 770 francs for married couples. If the total of pension and income from other sources exceeds the maximum income specified for the locality of residence, the pension is reduced by the amount of the excess.

Maximum amounts of pension and of allowable income, including pension, are shown in Table I for single persons and for married couples, for each type of locality.

TABLE I

MAXIMUM AMOUNTS OF TRANSITIONAL PENSION AND ALLOWABLE INCOME, INCLUDING PENSION, FOR SINGLE PERSONS AND MARRIED COUPLES BY TYPE OF LOCALITY

Type of locality	Single persons		Married couples	
	Pension	Total income	Pension	Total income
	fr.	fr.	fr.	fr.
Urban.....	750	2,000	1,200	3,200
Semi-urban.....	600	1,850	960	2,950
Rural.....	480	1,700	770	2,700

V. ADMINISTRATION

The Swiss Old Age and Survivors' Insurance program is a blend of government and private enterprise administered through a national system of semi-autonomous funds, which include approved insurance institutions and in the administration of which both employers and employees are represented. The organization was developed from the wartime scheme established to provide aid to the families of servicemen and is similar to that established for the Swiss Workmen's Compensation scheme.

Under very general supervision from the Swiss Federal Council, which is advised on major questions concerning the development and administration of the program by a national commission on old age and survivors insurance,¹ the program is administered through equalization funds established at three levels. At the first level, a fund is operated by each business undertaking; at the second, by cantons and by employer associations; at the third and highest level, a central fund, the Old Age and Survivors' Insurance Equalization Fund is operated by the Federal Office of Social Insurance. There are special separate funds for persons residing abroad and for federal employees.

The Central Equalization Office, a division of the National Bank of Switzerland, supervises the keeping of accounts by the funds, and ensures that surpluses are paid into the O.A.S.I. Equalization Fund. It computes the total

¹ Composed of representation from insured persons, the cantons, the federal government, approved insurance institutions and other organizations interested in the program.

amount of contributions raised and pensions paid and is responsible for keeping a record of all individual contributions paid to ensure that all contributions are taken into account when pension is computed.

Contributions are collected and pensions are paid by each fund, with balances being forwarded to, or deficits made up from, the fund at the next higher level. In addition to administration of the old age and survivors' insurance scheme, the funds may be given duties concerning other programs, such as assistance to soldiers and family welfare.

The general organizational structure of the scheme is as shown in the accompanying chart.

From the financial point of view, the equalization funds are intermediaries, holding no assets in their own right. However, they occupy a vital position in the administration of the scheme since it is they who, subject to general government direction and control, make administrative decisions necessary for the execution of the act in regard to persons or groups affiliated with them.

1. *Employer Equalization Funds*

Each employer collects contributions from his employees, and adds to this, as an employer, two per cent of his payroll, as well as his own contribution as a self employed person. In addition, he is charged with paying benefits to those employed by him for at least two years, and to their survivors. Each employer is affiliated to an occupation equalization fund¹ with which he periodically balances the moneys of his fund by forwarding a surplus or drawing to cover a deficit.

2. *Occupational and Cantonal Equalization Funds*

(a) *Occupational Equalization Funds.* Occupational associations covering one or more occupations on a national or regional basis may apply for authorization to set up an occupational equalization fund. The Act requires that occupational funds provide sureties of an amount equal to one twelfth of their total annual contributions, subject to a minimum of 100,000 francs and a maximum of 250,000 francs, and specifies certain conditions regarding their internal organization. A fund must be composed of at least 2,000 employers or self-employed persons or have revenue of 400,000 francs annually from contributions, and must be approved by the Swiss Federal Council.

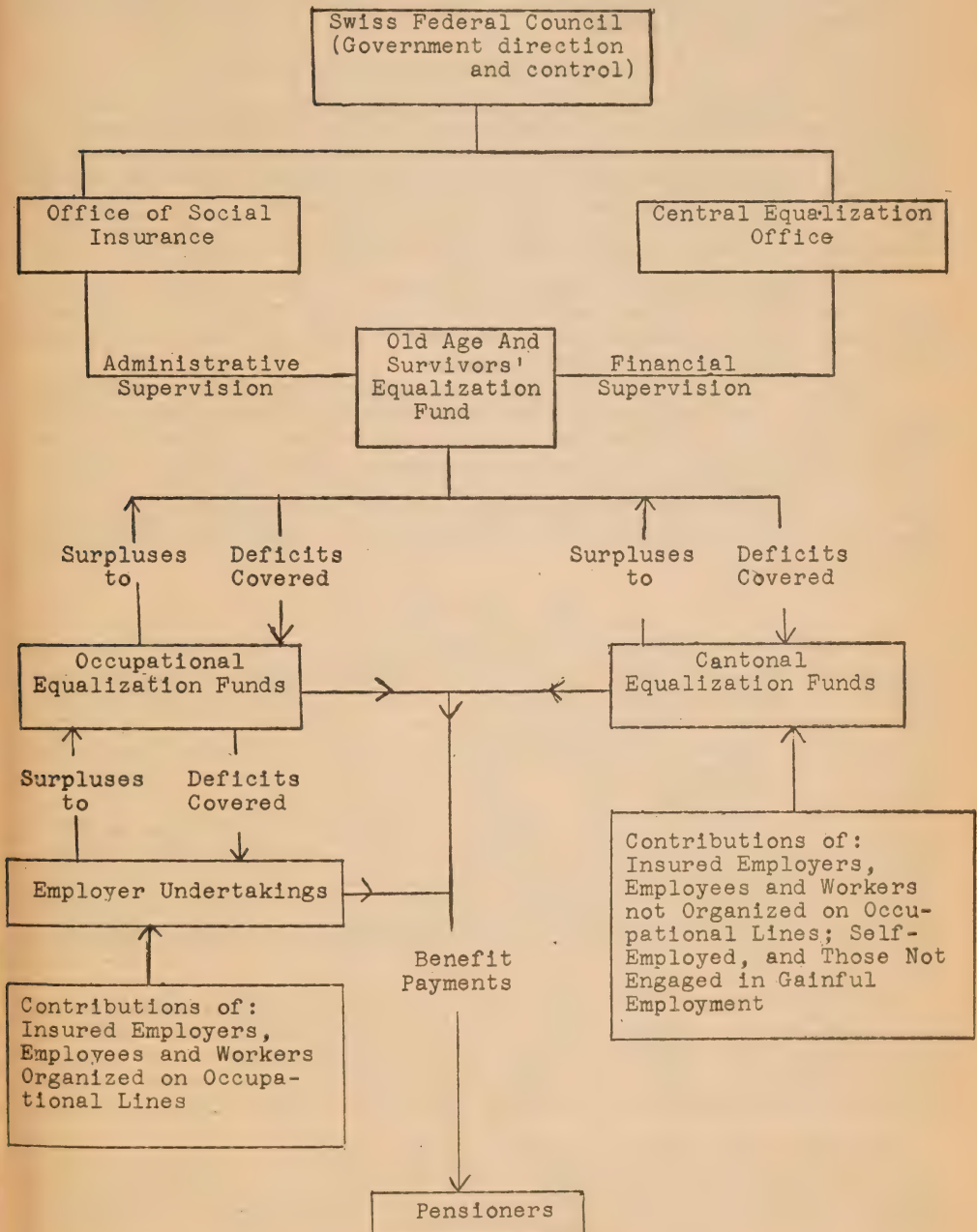
Employees are automatically affiliated to an occupational equalization fund by the affiliation of the employer. The Act provides that an association of salaried employees and workers has the right to equal participation with employers in the administration of the fund if the association in question represents at least one half, or, under certain conditions, one-third of the employees concerned.

Each occupational fund is administered by a committee composed of representatives of the member associations and, where appropriate, of associations of employees and workers. This administration committee appoints the manager of the fund. Supervision of both the funds and employers affiliated to them is organized on a decentralized basis with no government auditing machinery being set up and actual verification being delegated to private companies.

Occupational equalization funds receive any surplus and cover any deficit of the employer undertakings affiliated with them, and, in turn, must pay over any surplus to the federal old age and survivors' insurance equalization fund, which covers any occupational fund deficit.

¹ The largest businesses may establish their own occupational funds.

ORGANIZATION OF SWISS OLD AGE AND SURVIVORS' PENSION ADMINISTRATION



(b) *Cantonal Equalization Funds.* Each canton is required to set up an equalization fund for persons within the canton not covered by occupational funds. Employers and self-employed persons who are not members of an occupational association which has set up its own equalization fund and persons not gainfully employed are affiliated to the cantonal funds.

The cantons are to a great extent free to organize their funds according to their own discretion, and have the right to supplement benefits paid under the premium if they so desire.

3. *Federal Old Age Survivors' Insurance Equalization Fund*

The federal fund receives the surpluses of all other equalization funds at the lower levels and covers any deficits incurred by them. The fund is supervised financially by the Central Equalization Office which also keeps a register of individual contributions to ensure that when an insured person becomes entitled to a pension all his contributions are taken into account.

4. *Status of Private Insurance Organizations Under the Scheme*

The position of private insurance institutions within the scheme was one of the most difficult which had to be faced when the program was put into operation as, prior to the Act, more than 400,000 persons were insured in respect of old age under different private schemes.

Under the Act, certain non-profit type organizations with contributions and benefits at least as favourable as those under the national scheme, may be specially licensed as approved institutions, to administer the scheme in respect of their beneficiaries. Non-approved institutions, those unable to meet the required conditions, may provide only insurance additional to that available under the national scheme but have the right, within the first 10 years of the operation of the Act, to adapt their system so as to be eligible to participate in the national scheme.

VI. FINANCING

To supplement the four per cent contribution on earnings, which was not designed to cover all costs of the program, annual subsidies are paid by the federal and cantonal governments to the Old Age and Survivors' Insurance Fund. In addition, about 400 million francs were transferred at the commencement of the program from the one billion franc reserve accumulated under the soldier wartime assistance program. Another source of revenue is interest on the reserves of the Fund.

The Act provides that the combined federal-cantonal assistance be 160¹ million francs a year from 1948 to 1967, 280 million francs from 1968 to 1977, and 350 million francs for 1977 and subsequent years. It is also specified that, during the first 20 years following the coming into force of the Act, the federal government should be responsible for paying two-thirds, and the cantons one-third, of the grant². Administrative costs are shared by federal and cantonal governments and the funds.

The federal share of the annual subsidy is raised through a special tax on liquor and tobacco. Responsibility for the cantonal third of the subsidy is divided between the different cantons on the basis of the amount of average benefit paid in the canton, the number of beneficiaries in the canton, and the canton's financial position. To assist the poorer cantons during the first

¹ Reported as having later been amended to 190 million francs.

² According to Article 34 of the Federal Constitution, which gives the federal government authority to institute a system of old age and survivors' insurance, the combined financial contribution of the federal government and the cantons is not to exceed one-half of the total sum necessary for insurance; under the financial plan adopted in the Act grants from the federal government and the cantons will be slightly less than the one-half prescribed.

20 years of the program, provision is made for one-half the interest on 400 million francs which was transferred to the old age and survivors' scheme from surpluses accumulated by the Workmen's Compensation program to be used to reduce the amount of contribution required from them. The other half of this interest is applied to the federal contribution.

During the operation of the program a reserve accumulates in the Old Age and Survivors' Insurance Fund. While the reserve varies in accordance to economic conditions, through their effect on the amount of total contributions, it is estimated that it will amount to between 4,000 and 5,000 million francs when the program has been in operation for 20 years.

On the basis of the number of persons expected to become eligible for pension in future years, as shown in Appendix IV, it has been estimated that the cost of old age and survivors' pensions together will rise from between 130 and 140 million francs in 1948 to about 630 million francs in 1968 when the program will have been in force for the 20 years required for full normal pension to be available. A further rise to 870 million francs is expected by 1978 and to 900 million francs by 1988, with costs stabilized at that level thereafter.

APPENDICES

APPENDIX I

CONTRIBUTION RATES FOR LOW INCOME SELF-EMPLOYED PERSONS

Annual income		Annual contribution
At least	Below	
fr.	fa.	
	600	12
600	900	18
900	1,200	24
1,200	1,500	36
1,500	1,800	48
1,800	2,100	60
2,100	2,400	72
2,400	2,700	84
2,700	3,100	102
3,100	3,600	120

Source: *The Swiss Old Age and Survivors' Insurance Scheme*, Dr. Arnold Saxer, International Labour Review, Vol. LVI, No. 5-6, November-December, 1947, p. 547.

APPENDIX II

CONTRIBUTION RATES FOR NON-EMPLOYED PERSONS LIVING ON PRIVATE INCOME

Amount of private resources plus 30 times income from these resources		Annual contribution
At least	Below	
fr.	fr.	fr.
	50,000	12
50,000	75,000	18
75,000	100,000	24
100,000	130,000	36
130,000	160,000	48
160,000	190,000	60
190,000	230,000	84
230,000	270,000	108
270,000	310,000	132
310,000	350,000	156
350,000	390,000	180
390,000	430,000	216
430,000	470,000	252
470,000	510,000	288
510,000	550,000	324
550,000	590,000	360
590,000	640,000	420
640,000	690,000	480
690,000	750,000	540
750,000		600

Source: *Assurance-Vieillesse et Survivants Facultative des Ressortissants Suisse Domiciliés à l'Etranger*, Office of Social Insurance, Berne, p. 15.

APPENDIX III

AMOUNT OF FULL NORMAL OLD AGE PENSION (20 YEARS' CONTRIBUTION) IN RELATION TO AVERAGE CONTRIBUTION, BY SELECTED INCOME RATES

Determinant factors		Annual normal old age pension	
Average annual income	Average annual contribution	Single persons	Married couples
fr.	fr.	fr.	fr.
Up to 750	Up to 30	480	770
1,050	42	552	883
1,200	48	588	941
1,500	60	660	1,056
1,800	72	732	1,171
2,100	84	804	1,286
2,400	96	876	1,402
3,000	120	1,020	1,632
3,300	132	1,092	1,747
4,000	160	1,220	1,952
4,500	180	1,260	2,016
5,000	200	1,300	2,080
5,500	220	1,340	2,144
6,000	240	1,380	2,208
6,500	260	1,420	2,272
7,000	280	1,460	2,336
7,500 and over	300	1,500	2,400

Source: *Voluntary Old Age, Widows' and Orphans' Insurance*, Federal Office of Social Insurance, Berne.

APPENDIX IV

ESTIMATED FUTURE NUMBER OF PERSONS WHO WILL BE IN RECEIPT OF OLD AGE AND SURVIVORS PENSIONS,
BY SELECTED YEARS

Year	Estimated number of persons receiving pension			
	Old age		Widows	Orphans
	Single	Married		
1948.....	132,815	90,018	43,824	38,127
1953.....	177,018	133,200	50,664	56,100
1958.....	221,747	175,842	64,472	82,216
1963.....	276,442	214,790	76,739	87,914
1968.....	339,210	248,870	87,774	87,738
1978.....	427,450	294,798	94,329	86,432

Source: *The Swiss Old Age and Survivors' Insurance Scheme*, by Dr. Arnold Saxer, International Labour Review, Vol. LVI, No. 5-6, November-December, 1947, p. 563.

SOURCES

Loi fédérale sur l'assurance vieillesse et survivants, 20 décembre, 1946.

Source: *Voluntary Old Age, Widows' and Orphans' Insurance*, Federal Office of Social Insurance, Berne.

Assurance—Vieillesse et Survivants facultative des ressortissants suisses domiciliés à l'étranger, Federal Office of Social Insurance, Berne.

Dr. Arnold Saxer, *The Swiss Old-Age and Survivors' Insurance Scheme*, International Labour Review, Vols. 55-66, 1947, pp. 543-565.

Max Bloch, *The New Swiss Program of Old-Age and Survivors' Insurance*, Social Security Bulletin, November, 1947, Vol. 10, No. 11, pp. 16-19.

Wilbur J. Cohen, *Coverage of the Self-Employed under Old-Age and Survivors' Insurance: Foreign Experience*, Social Security Bulletin, August 1949, Vol. 12 No. 8, pp. 11-15.

Social Security Legislation Throughout the World, Bureau Report No. 16, U.S. Federal Security Agency.

Switzerland, Robert de Traz, Osec Publications, Lausanne, 1949.

APPENDIX "B"

OLD AGE INCOME SECURITY PROGRAMS

FRANCE

RESEARCH DIVISION

DEPARTMENT OF NATIONAL HEALTH AND WELFARE

OTTAWA

MARCH 1950

I. INTRODUCTION

Old age income maintenance measures in France form part of a comprehensive system of social security which is administered, under government direction, through a nationally organized system of autonomous funds or offices. The system is entirely supported by contributions, which amount to about 30 per cent of all earnings, and is organized in three main parts, Social Insurance, Family Benefits and Industrial Injuries.

Old age pensions and assistance allowances constitute one Social Insurance program. Other separate Social Insurance programs provide protection against the risks of sickness, maternity, disablement, invalidity and death. Family Benefits include a number of programs designed to encourage and assist the raising of children. Under the Industrial Injuries section, benefits are provided in respect of work connected injury or illness. There is no system of unemployment assistance.

The necessity of maintaining the birth rate at a high level for security reasons and, at the same time, of providing for a large aged population, have been important factors influencing the development of social security in France. Although the traditionally low French birth rate has been appreciably raised during and since the war years, the number of young people in the population is still lower than in most countries and the proportion of persons over age 60 is 158 per thousand, ⁽¹⁾ the highest in the world. In 1946 only 21 per cent of the population was under age 15, as compared to 27.5 in Canada; 11.7 per cent was aged 60 or over, as compared to 6.7 per cent in Canada.

The special emphasis which has been placed on assistance in the raising of children and on the provision of care for the aged is, to a certain extent, made possible by the stable nature of the French economy with its relative freedom from danger of widespread unemployment, as compared to that of industrial countries such as Great Britain, or countries largely dependent upon world trade conditions, such as Australia, New Zealand, the United States and Canada. The relatively self-sufficient economy of France, which includes a large number of small independent businesses and small farms and is approximately half urban and half rural,² has acted as an effective cushion against large scale fluctuations in the employment market and the consequent necessity for large scale unemployment relief.

¹ Pilliet, G., *Inventaire Economique de la France*, Sfelt, Paris, 1948, p.48.

² The population is 53.2 per cent urban, 46.8 per cent rural. Demographic Year Book, 1948, United Nations, Lake Success, New York, 1949.

As in most European countries, a network of friendly societies and other organizations had for many years offered protection against specific risks to different groups of the population. In addition, state-organized and controlled programs had been developed in France to cover certain occupations such as agriculture. In 1945, the attempt was begun to reorganize and incorporate these different schemes into a complete and uniform system of social security designed to cover the whole population. While complete coverage for the whole population has not yet been achieved, except in the case of Family Benefits, substantial progress has been made in extending the old age security program. But, although the great majority of workers are now covered, uniformity of treatment has not yet been achieved between different occupational groups and classes of persons, and a number of different schemes are operated concurrently, all providing for a more or less similar schedule of contributions and benefits, though there are a number of variations between schemes.

The general old age pension scheme for employed persons, which is operated under the legislation of 1945, covers all persons employed in industry and commerce, including those employed in domestic service. Other separate schemes cover persons employed in agriculture and forestry, the railways, mining, the mercantile marine and government. Provision was also made in the 1945 legislation for self-employed persons to be covered under the general scheme, but not until the index of industrial production in the country as a whole reached 110, with 1938 production being taken as equal to 100. However, this proposal was dropped for a variety of reasons and a number of separate schemes for the self-employed, organized on an occupational basis and similar to the general scheme for employed persons, were established in 1948.

Under all schemes, old age pensions are payable at age 60 to employed persons who fill the contribution requirements, and at age 65 to the self-employed, with the pension being increased under the general scheme for employed workers and those for the self-employed, for each year up to age 70 for which claim to it is deferred. Pensions are paid irrespective of other income. In addition to depending on age when pension is claimed, the amount of pension is based on average earnings during the last ten years of employment and the number of years for which contributions have been paid.

To provide for persons who have not made the minimum number of contributions to qualify for pension, or who are not eligible for other reasons, there are supplementary schemes of assistance allowances, paid on a means test basis and at a flat rate which varies according to place of residence.

Both pensions and assistance allowances are increased by special supplements in respect of dependent spouse and the number of children who have been raised, and provision is made for widows of pensioners or of persons in receipt of assistance allowances to be paid half the pension or allowance that was paid or payable to the deceased spouse. In addition, old age pensioners not gainfully employed are entitled to full benefits under the health insurance program without payment of contribution.

Provision is made for persons leaving covered employment and for members of employers' families not covered under the compulsory scheme to be insured on a voluntary basis should they so desire.

Social Insurance is financed through a 16 per cent contribution on the amount of all wages and salaries under a fixed limit, which at present is 264,000 francs¹ per year. The employer pays ten per cent of payroll² and the employee

¹ The French franc is worth about .032 cents in Canadian funds as at May, 1950.

² As well as 10 per cent of payroll for Social Insurance, the employer pays the whole contribution of 16 per cent of payroll for Family Benefits and about 3.5 per cent for Industrial Injuries. However, because of the upper limit on the amount of taxable income, employer contributions amount to about 25 per cent of wages and salaries, the employee contribution about 5 per cent. The employee contributes only in respect of Social Insurance, not for Family Benefits or Industrial Insurance.

six per cent of wage or salary, which provides protection for sickness, maternity, disablement, invalidity and death, as well as old age. Contributions for the self-employed may vary as between different occupational groups and are subject to adjustment from year to year, but are generally similar from group to group.

Within metropolitan France and the overseas territories having the status of French Departments, no distinction in social security matters is made between French workers and resident foreigners. When a foreigner leaves French territory he retains entitlement to old age and, in certain cases, to disability pension, but relinquishes rights to other benefits.

II. COVERAGE

Of France's 40.5 million persons some 20.26 million, or 49.2 per cent, are members of the labour force, and for almost all of these 20.26 million persons Social Insurance is compulsory under either the general scheme for employed workers in industry and commerce, including domestic service; one of the special schemes for employed persons in other occupational groups; or one of the schemes for the self-employed. Dependent spouses of insured persons are also covered. Formerly employed persons who have not qualified for pension, or whose number of contributions does not provide the minimum pension payable, are eligible for means test assistance allowances. Persons eligible for neither pension nor assistance allowance may also receive assistance, but at reduced rates.

The general scheme, under which all workers in commerce, industry or domestic service, are required to be insured, covered about 8,300,000 persons in 1948, who, with their families, comprised a total of 16 to 17 million persons, or about 40 per cent of the population.¹

The majority of other employed persons, some three million, are covered under the special schemes for agricultural and forestry, mining, the mercantile marine, railway and government workers. Self-employed persons engaged in industry and commerce, the professions, agriculture and handicrafts are covered under separate self-governing schemes. According to the 1936 census, about eight and one-half million, or 21 per cent of the economically active population, were self-employed persons.

Persons leaving covered employment and members of the family of an employer who are not over 40 years of age may insure under the program on a voluntary basis if they so desire. Insurance may be obtained for all Social Insurance programs, or for old age or other programs only.

III. CONTRIBUTIONS

The old age, like other Social Insurance programs, is entirely financed by contributions, with no monetary assistance being given by the government.

1. *General and Special Schemes for Employed Persons*²

All risks covered by Social Insurance—sickness, maternity, disablement and death, as well as old age—are covered by a single contribution of 16 per cent of basic salary,³ ten per cent of which is paid by the employer and six per cent⁴ by the employee.

¹ Social Security in France, Secrétariat Général du Gouvernement, p. 17.

² Contribution rates under the special schemes for agricultural and other occupational groups not covered under the general scheme vary slightly from those of the general scheme.

³ Maximum earnings on which contributions are payable are determined by multiplying by six thousand the statutory minimum hourly wage of an unskilled labourer in the metal industry in the Department of the Seine. The ceiling is adjusted each quarter. As of September 1949 the maximum amount was 264,000 francs.

⁴ Reduced to two per cent if employed after age 65.

2. The Self-Employed

Persons in the four classes of the self-employed¹ pay contributions at a rate calculated to cover cost of pensions paid by the fund to which they belong during the current year as well as any deficit carried forward from the preceding year. Persons unable to pay contributions may be exempted from liability for payment without sacrifice of right to benefit.

3. Voluntary Scheme

Voluntarily insured persons are divided into four contribution classes according to income, with the rate of contribution for each being fixed by the Ministers of Labour and Social Security, National Economy and Finance. The contribution class of persons formerly liable to compulsory insurance is determined by the remuneration received in their former occupation. The contribution class of members of an employer's family is determined by the remuneration received by a gainfully employed worker in the same occupational category as the employer.

Voluntary contributions are collected through the same administrative machinery as those for the compulsory insurance program.

IV. OLD AGE PENSIONS

1. Employed Persons

(a) *Basic Pension.* Under the general scheme for employed persons, old age pensions are payable at age 60. Pensions are payable at the full rate only when 30 annual contributions have been made. When less than 30 but at least 15² contributions have been made, a *proportionate pension* is paid at a rate equal to the full pension reduced by one-thirtieth for each year in which a contribution has not been made. When less than 15 but at least five annual contributions have been made, a *special pension* is paid, equal to ten per cent of the total of all old age pension contributions made during the period July 1, 1930 to December 31, 1935, plus ten per cent of one-half of all social insurance contributions made since the latter date.

The minimum pension is equal to the amount of the assistance allowance to formerly employed persons³ described in Chapter V following, which is adjusted from time to time by decree. When a person has made less than five contributions, or if pension entitlement is less than this minimum, he is paid a lump sum equal to the amount of total contributions which have been paid by him, as distinct from the employer share.

When pension commences at age 60, it is paid at a rate equal to 20 per cent of the average wage received in the ten years of covered employment preceding age 60.⁴ For each year, up to age 70, that claim to payment of pension is deferred, the pension is increased by four per cent of average wage so that, for example, it becomes 40 per cent of average wage if not claimed until age 65, and 60 per cent if not claimed until age 70. When claim to pension is deferred past 60, the amount of pension may be based on average earnings in the ten years preceding age 60 or the date of retirement, whichever is the more advantageous. Persons who have been insured for at least 30 years and who for at least 20 years have been engaged in an occupation designated as particularly arduous and liable to lead to premature ageing, or who are deemed to be

¹ See p. 6.

² Ten, if pension commenced prior to January 1, 1947; 11 if after December 31, 1946, but prior to January 1, 1949; 12 if after December 31, 1948, but prior to January 1, 1951; 14, if after December 31, 1952, but prior to January 1, 1955.

³ In September 1949, the allowance was 36,000 francs in rural areas, 39,000 francs in urban areas. The allowance is payable on a means test basis, however, while entitlement to pension is not affected by other income.

⁴ Provision is made for the average wage on which pension is based to be re-adjusted to counteract the effect of inflation.

unemployable, may be awarded a pension equal to forty per cent of the basic annual wage at any age from 60 to 65.

The surviving dependent spouse of a pensioner or insured person is entitled at age 65, or age 60 in the case of incapacity, to a pension equal to approximately half that paid or payable to the deceased spouse. If the wife or widow of a wage earner has raised five children to the age of 16, she is entitled to the full allowance of 39,000 francs paid to a person in a town of over 5,000 inhabitants, as described in Chapter V following.

In the special schemes for occupational groups not covered by the general scheme there are certain variations from the benefit rates and conditions of payment given above. For example, under the scheme for agricultural workers the pension is 20 times the average annual contribution and is payable in full at age 60.

(b) *Family Supplement.* The pension is increased by one-tenth in the case of a person who has raised at least three children for at least nine years preceding the 16th birthday of each child. When a husband and wife are both in receipt of pension the supplement is paid only in respect to the greater of the two pensions.

(c) *Supplement for Dependent Spouse.* The pension is raised by fifty per cent if the dependent spouse of the pensioner is not in receipt of any other Social Insurance allowance. When the dependent spouse attains age 65, or 60 in the case of unemployability, the allowance is raised to a sum equal to half the rate of assistance allowance paid to a person in a town of over 5,000 inhabitants, as described in Chapter V following.

2. Self-Employed Persons

(a) *Basic Pension.* Pensions to self-employed persons are payable at the age of 65 years, or at 60 years in unemployable. Pensions deferred past the age of 65 are proportionately increased, as under the general scheme for employed workers, in accordance with a scale laid down by Ministerial order. In certain occupations payment of the pension may be made dependent, at the request of trade or professional organizations concerned, upon the claimant having ceased to be engaged in that type of occupation. In the same way at the request of the organizations concerned, the pension may be made subject to a means test, or may be extended to provide for supplementary benefits.

The amount of the pension is set, and may be changed on the recommendation of the self-governing organization administering pensions for the occupational group concerned, subject to the minimum pension paid being not less than one-half the minimum assistance allowance payable to formerly employed aged persons, as described in Chapter V following.

(b) *Family Supplement.* The pension is increased by one-tenth in the case of a person who has raised at least three children for at least nine years preceding the 16th birthday of each child. When the husband and wife are both in receipt of pension this supplement is paid only in respect of the greater of the two pensions.

(c) *Allowance for Dependent Spouse.* The spouse of a pensioner, if not gainfully employed, receives an allowance equal to one-half of that paid or payable to the injured person, subject to the same minimum as the corresponding supplement for the spouse of an employed person.

3. Voluntary Contributors

Voluntary contributors are entitled to pensions at the same rates and under the same conditions as compulsorily insured persons. Any contributions paid in respect of compulsory insurance are added to voluntary contributions when determining the amount of pension.

V. ASSISTANCE ALLOWANCES

Two types of assistance allowances are paid on a means test basis to persons aged 65 or over, or 60 or over if unemployable. The first, the allowance for formerly employed persons, is intended for the assistance of persons who have not been able to build up sufficient contributions to qualify for the minimum pension payable and is a temporary measure which will be replaced by the pension scheme as the latter matures. The amount of allowance, which is the same as the minimum old age pension payable, is fixed by decree from time to time, and varies in accordance with price levels. The second type of allowance, paid at lower rates, is intended for residual groups not entitled to other assistance. Both allowances are supplemented by assistance for dependent spouse and in respect of the number of children raised.

1. Allowance for Formerly Employed Persons

(a) *Basic Allowance.* Payment of the basic allowance is dependent upon the person having been employed for at least five years,¹ after the age of 50 as a wage or salary earner, or alternately through having been employed for at least 25 years, if this was the most recent occupational activity prior to claim for the allowance. To qualify, a person must not be in possession of total income, including allowance, in any year, of more than 100,000 francs if single, or 130,000 francs if married. The allowance is reduced by any amount of income which exceeds these limits.

When the net assets of a deceased beneficiary's estate are in excess of a fixed sum, one million francs in 1948, all sums paid on account of an employed person's allowance are recovered from the estate, after deducting any contributions paid in respect of old age insurance.

The amount of the basic allowance varies in accordance with place of residence. In September, 1949, it was paid at the rate of 39,000 francs per annum for beneficiaries who reside on the date of application, and have been employed for at least two of the five years giving entitlement, in a community with over 5,000 population. An additional allowance of 3,000 francs is paid to a beneficiary who, having worked for two years in the Paris or Paris region, resides there on his 65th birthday, or, in the case of unfitness, on the date of application. The allowance for persons living in other areas is 36,000 francs.

If both husband and wife are entitled to the allowance in respect of former employment, the allowance of the wife is decreased by one-half, unless she has lived separately from and has not been supported by her husband for at least five years.

If the dependent widow of a beneficiary is not in receipt of benefit under any Social Insurance program, she is paid an allowance equal to one-half the basic allowance which the husband was paid at time of death, plus the allowance, where applicable, for dependent children as described in (b), and a special supplement of 1,500 francs per year, with the minimum allowance payable being set at 19,500 francs annually. The allowance is paid from the date the widow attains 65 years and is subject to the marriage having been contracted prior to the deceased reaching the age of 60 years and to its having lasted for at least two years. A wife or widow of a wage earner who has raised five children to the age of 16 is entitled at age 65, or 60 if disabled, to an allowance equivalent to the basic allowance for the formerly employed, i.e., 42,000, 39,000 or 36,000 francs

¹ Increased by one year, to a maximum of 15 years in 1956, for each year after 1946 in which the allowance is first claimed. Since 1945, only years in which social insurance contribution has been made can be counted. If wage for any period is below a specified minimum, the period of employment in which it is paid cannot be counted.

annually depending on place of residence. The allowance is payable on a means test basis with total permissible income, including allowance, being limited to 100,000 francs.

(b) *Family Supplement.* The allowance is increased by one tenth in the case of a person who has supported three or more dependent children for at least nine years before the 16th birthday of each child. Thus supplement is paid to the father only, if both husband and wife are eligible.

(c) *Supplement for Dependent Spouse.* A means test supplement of 5,000 francs is paid for a dependent spouse, under the age of 65 years, or 60 if disabled, and is raised to 19,500 francs when the dependent spouse qualifies by age. The supplement is paid only if total income is less than half the basic pension.

2. Allowances for Aged Needy Persons Not Entitled to Other Pension or Allowance.

Aged needy resident citizens not otherwise entitled to pension or allowance may be paid an assistance allowance at considerably reduced rates, which are set from time to time by decree.

VI. ADMINISTRATION

The French social security program is administered under the direction of the Minister of Labour and Social Security, through a system of self-governing autonomous funds or offices operating at the regional and local levels and coordinated nationally by the National Social Security Fund, a public autonomous body composed of representatives of government, workers, employers, and the funds. Government administration is confined to the drawing up of policy and regulations, and of inspection, co-ordinating and similar duties. Actual administration is the responsibility of the funds, with emphasis in administrative arrangements being placed on decentralization to the lowest possible level. The relationship between the governmental organization and the funds is as shown on the accompanying chart.

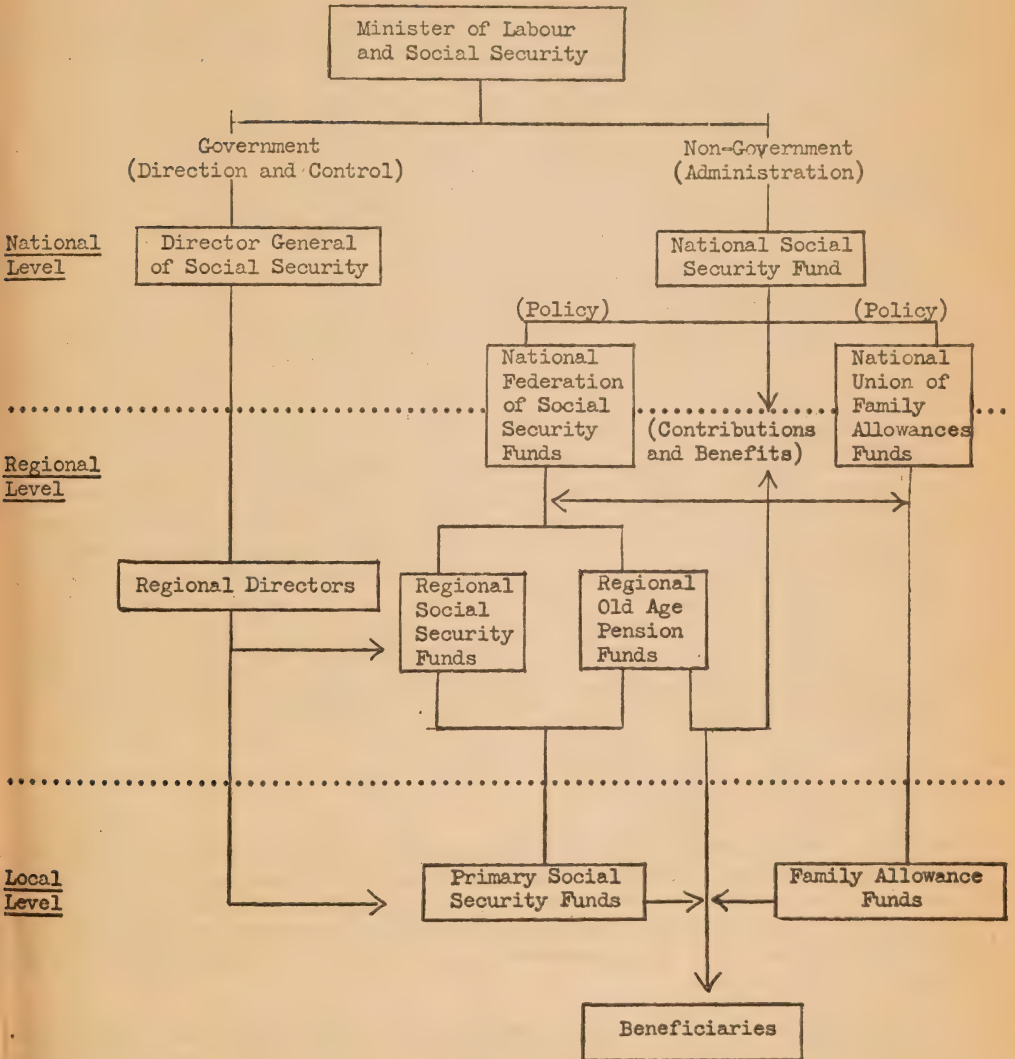
1. Governmental Organization

Under the Minister of Labour and Social Security, the Director General of Social Security is responsible for the general direction, supervision and control of all social security programs. A number of committees and councils composed of representatives of the regional and local funds, employers and employees, friendly societies and other interested groups advise the Minister on social security questions.¹

The Director General is represented in each of the 16 regions of metropolitan France, and in two overseas regions, by a Regional Director who possesses no statutory authority but who exercises within his region approximately the same authority as does the Director General for the whole of France. His duties include maintenance of supervision over all funds operating in each region, maintenance of liaison between the funds and the central government and inspection of the registration of employees and collection of contributions by employers.

¹ In so far as old age security and other Social Insurance programs are concerned, the most important is the Central Social Security Council which is presided over by the Minister, and whose 69 members include representatives of the funds, government departments and professional organizations.

ORGANIZATION OF SOCIAL SECURITY ADMINISTRATION
IN FRANCE



2. Organization of Fund System

The funds are organized in two parallel systems as shown in the chart, one responsible for the administration of Social Insurance and Industrial Injuries, the other, known as Family Allowances Funds, being responsible for the administration of the different Family Benefits and the implementation of national family welfare policy.

With the exception of the National Social Security Fund, all funds have the legal status of private institutions and are subject to the same laws as the friendly societies.

The programs for the self-employed and for the special groups, such as agricultural workers, are administered through their own funds, separately from those for the general scheme for employed persons. The most significant difference is in the case of the funds for the self-employed which must take up any deficits incurred, whereas under the general scheme deficits are covered through the National Social Security Fund.

The responsibilities and organization of each of the three types of funds are, briefly, as described below.

(a) *Primary Funds.* The 124 Primary Social Security Funds operating at the local level carry the main administrative burden of the program. They are responsible for the collection of contributions and for the paying of certain benefits, not, however, including old age pensions and allowances which are paid through the Regional Old Age Pension Funds. A proportion of contributions collected is retained by the primary fund to cover its expenditures; the remainder is forwarded, to the national and regional funds as described in Chapter VII.

Each primary fund is administered by an elected board. Three-quarters of its membership represent employees and one-quarter represent employers.

Mutual organizations serving at least 100 members may act, under certain circumstances, as agents for their groups.

(b) *Regional Funds.* At the regional level two types of funds administer Social Insurance and Industrial Injuries. The Regional Social Security Fund is charged with the responsibility for administering disability and certain aspects of Industrial Injuries benefits, such as the fixing of rates for different firms, and for the co-ordination of health and accident prevention programs. The Regional Old Age Pensions Fund administers old age pensions and allowances for all beneficiaries within the region.

The regional funds are administered by boards of 15 members; nine elected by the representatives of workers in the primary funds, of whom two represent old age pension and allowance recipients; three by employers in the primary funds; one by fund personnel; and two persons designated by the Minister.

Separate and similar autonomous funds handle pensions for each of the different groups of the self-employed and for the different schemes for employed persons.

(c) *The National Social Security Fund.* The National Social Security Fund equalizes risks undertaken by the Regional Social Security, Old Age Pensions, and Family Allowance Funds and guarantees the solvency of the Funds. It is responsible for the co-ordination, at the national level, of the public health and social welfare activities of the funds as well as for the promotion of preventive action against industrial injury and disease. It is financed by a proportion of contributions collected through the primary funds.

The Social Security Fund is a state body, financially autonomous, operating under the direction of the Ministers of Labour and Social Security, National Economy and Finance. It is administered by a 36 member Council which includes representatives from different government departments, and elected representatives of the Funds and other organizations connected with the social security program.

(d) *National Federation of Social Security Organization.* As the Social Security and Family Allowances Funds have the status of private organizations and are managed by elected boards, they may form federations or unions as they desire. Under this authority, the Primary Social Security Funds and the Regional Social Security and Old Age Pension Funds have formed a national body, the National Federation of Social Security Organizations, to represent them in dealings with the government and with national organizations. The Federation is also interested in the study of questions of general interest to the funds and the dissemination of information to them. The National Union of Family Allowances Funds acts in a similar capacity for the family allowance funds.

VII. FINANCING

Both the old age pensions and allowances and the costs of their administration are entirely financed through contributions.

Contributions in respect of Social Insurance are collected through the primary social security funds, which forward a fixed amount of each contribution collected to the Regional Social Security and National Social Security Funds, but not to the Regional Old Age Pension Funds which are reimbursed by the National Fund for all pensions and allowances paid.

Of each 100 francs of contributions received, the National Social Security Fund receives 56, out of which the reimbursement to the Regional Old Age Pension Funds is made. The Primary Fund retains 39.55 francs, for the payment of medical and disability and other benefits for which it is responsible, and the Regional Social Security Funds receive 4.55 francs, largely to cover administrative expense.

Contributions for the three sections of the social security system are payable according to the following schedule:

Section of Social Security System	Per Cent of Wage or Salary ¹		
	Employer	Employee ²	Total
Social Insurance..... (includes old age pensions and allowances, and sickness, maternity, disablement and death benefits)	10	6	16
Family Benefits..... (includes family, prenatal, maternity, housing and "single wage" allowances)	16	.....	16
Industrial Injuries..... (includes compensation for industrial injury and disease)	3.5 ³	.....	3.5
Total.....	29.5	6	35.5 ¹

¹Subject to upper limit to salary fixed by decree and at present 264,000 francs, being subject to contribution. This limitation reduces the over-all cost to employers to about 25 per cent of payroll and to employees to about 5 per cent of wages.

²Contributions are deducted by employer.

³Varies slightly between firms, according to degree of risk, with rates being set by Regional Social Security Funds.

It is not possible to state the exact proportion of each Social Insurance contribution which is allocated to the payment of old age pensions as the amount varies from month to month. Pensions for all schemes are paid out of the contribution and deficits are equalized between schemes. Four per cent of the employer Social Insurance contributions is designed to meet the cost of old age allowances but is not accounted for separately.

The amount of Social Insurance contributions collected under each of the different old age schemes in 1947 and 1948 was:

Scheme	Contributions paid (millions of francs)	
	1947	1948
General Scheme for Employed Persons.....	107,027	166,933
Special Schemes for Employed Persons.....	1,162	5,899
Schemes for the Self-Employed.....	4,244	5,144
Total.....	112,433	177,976

Source: Adapted from information contained in *Le Régime Général de la Sécurité Sociale*, Présidence du Conseil, Secrétariat du Conseil, 22 septembre, 1949, p.48.

Costs of benefits paid in respect of employed persons during the same period were:

Type of benefit or other expenditure	Amount of benefit (millions of francs)	
	1947 ¹	1948 ²
Sickness.....	35,550	62,790
Maternity.....	4,996	7,785
Invalidity.....	2,490	3,473
Death.....	749	1,090
Old Age.....	32,642	47,444
Administration.....	5,529	11,410
Other and Miscellaneous.....	11,436	11,625
Total.....	93,392	145,617

¹An additional 7,764 million francs paid in respect of the self-employed.

²An additional 9,988 million francs paid in respect of the self-employed.

Source: Adapted from information contained in *Le Régime Général de la Sécurité Sociale*, Présidence du Conseil, Secrétariat du Conseil, 22 septembre, 1949, p.48.

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APPENDIX "C"

COMPARISONS OF PERSONAL INCOME TAX AND SOCIAL SECURITY LEVIES

CANADA—AUSTRALIA—NEW ZEALAND

Organization of Material

The attached textual material is divided into three sections and gives basic information with respect to the personal income tax and social security levies of Canada, Australia and New Zealand. Three Tables follow. Table I shows the total levies at various income levels in each of the three countries for single persons without dependents. Table II shows the same information for a married person without dependents, and Table III for a married person with two children under sixteen years of age.

NOTE: While official exchange rates have been used to convert Australian and New Zealand pounds to Canadian dollars for use in the attached tables, it should be pointed out that dollar incomes so calculated do not necessarily reflect the same purchasing power in the respective countries.

Prepared by the Department of Finance, Ottawa, May 3, 1950.

CANADA

*Personal Income Tax—1950**Exemptions and deductions*

Single status	\$1,000
Married status	2,000
Child eligible for family allowance payment.....	150
Other dependent	400
Additional deduction for taxpayer over 65.....	500

Rate Schedule

\$ 150 on \$ 1,000 plus 17% on next \$ 1,000	
320 on 2,000 plus 19% on next 2,000	
700 on 4,000 plus 22% on next 2,000	
1,140 on 6,000 plus 26% on next 2,000	
1,660 on 8,000 plus 30% on next 2,000	
2,260 on 10,000 plus 35% on next 2,000	
2,960 on 12,000 plus 40% on next 3,000	
4,160 on 15,000 plus 45% on next 10,000	
8,660 on 25,000 plus 50% on next 15,000	
16,160 on 40,000 plus 55% on next 20,000	
27,160 on 60,000 plus 60% on next 30,000	
45,160 on 90,000 plus 65% on next 35,000	
67,910 on 125,000 plus 70% on next 100,000	
137,910 on 225,000 plus 75% on next 175,000	
269,160 on 400,000 plus 80% on the excess over \$400,000.	

Investment Income

An additional tax of 4% is levied on all investment income in excess of \$2,400 (or in excess of exemptions and deductions if this is greater).

Dividend Credit

A taxpayer may credit against his tax an amount equal to 10% of his net dividend income from taxpaying Canadian corporations.

Federal Social Security Taxes

Canada does not have a separate social security levy. Social services such as family allowances and the federal government's portion of old age and blind pensions are provided out of general revenue. Unemployment insurance benefits are financed by contributions from employees, employers and the Federal Government paid into the Unemployment Insurance Fund.

AUSTRALIA

Personal Income Tax and Social Services Contribution July 1, 1949, to June 30, 1950.

Personal Income Tax

1. *Categories of Personal Income*

Personal incomes in Australia are divided into two categories for tax purposes:—

- (a) income derived from personal exertion.
- (b) income derived from property (rents, dividends, interest) which is taxed at a higher rate on amounts in excess of £250.

In this memorandum the rates of tax and the taxes shown refer only to *income from personal exertion*.

2. *Tax Schedule*

The first £500 of taxable income, i.e., total income less expenses incurred in earning the income plus certain sundry deductions, is not subject to personal income tax. The tax schedule applicable to the year July 1, 1949, to June 30, 1950, is as follows:—

(in £A)

- 500- 1,000—Nil on first 500; on excess over 500 tax at rate of pence in the £ of 18 plus .024 (income minus £500)
- 1,001- 2,000—62/10/0 on 1,000 plus tax on excess over 1,000 at rate of pence in the £ of 42 plus .02 (income minus £1,000)
- 2,001- 5,000—320/17/0 on 2,000 plus tax on excess over 2,000 at rate of pence in the £ of 82 plus .01 (income minus £2,000)
- 5,001-10,000—1,720/17/0 on 5,000 plus tax on excess over 5,000 at rate of pence in the £ of 142 plus .002 (income minus £5,000)
- Over 10,000—4,887/10/0 on 10,000 plus tax on excess over 10,000 at rate of pence in the £ of 162.

3. *Rebates*

Instead of the exemptions and deductions for dependents found in the Canadian law, the Australian law grants rebates of the tax payable in respect of a wife, dependents, medical expenditures, life insurance, etc. These rebates are not fixed in amount; they vary in accordance with a formula calculated as follows:—

- (a) assume all income is from personal exertion,
- (b) calculate a "rebate rate" as follows:

rebate rate equals	$\frac{\text{tax payable (in pence)}}{\text{taxable income (in pounds)}}$	plus 18 pence
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(c) apply this rebate rate to the amounts shown below:

	Amount on which rebate is allowed £	Maximum Rebate Allowed £
Spouse, Housekeeper, Parent.....	150	45
1st child under 16, each invalid child, each student child under 19, invalid brother or sister.....	100	45
Other children under 16.....	50	15
Amounts paid for medical expenses, funeral ex- penses, life insurance, gifts, etc.....	As set out in the Assessment Act.	

In addition, taxpayers who are entitled to a rebate in respect of a dependent set out above, may also include:

An amount of £50	—if taxable income is not more than £250
An amount equal to £50 less £1 for each £2 by which the taxable income exceeds £250	—if payable income is between £250 and £350

NOTE: Since no one is taxed whose income from personal exertion is less than £500, these additional amounts may not be claimed for rebate for personal income tax purposes, but they are relevant to calculation of the social services contribution which begins to be payable at a lower income level, as will appear below.

4. Minimum Incomes Subject to Personal Income Tax

The effect of the foregoing rate schedule and rebates is that the following taxable incomes may be received from personal exertion before becoming liable for personal income tax.

(£A = \$2.46 Can.)

	£	\$
Single taxpayer	500	1,230
Taxpayer with dependent wife	660	1,624
Taxpayer with wife and one child	771	1,897
Taxpayer with wife and two children	827	2,034
Taxpayer with wife and three children	883	2,172
Taxpayer with wife and four children	939	2,310
Taxpayer with wife and five children	995	2,448

Social Services Contribution

1. General

The social services contribution applies to what is known as the contributable income, which is the same as the taxable income derived from personal exertion.

In order to calculate the amount of the social services contribution, it is necessary to determine two rates:

- (a) the basic rate,
- (b) the concessional rate.

2. The Basic Rate

This applies to a contributor who is not entitled for income tax purposes to any rebates in respect of dependents, life insurance, medical expenses, etc., or who is not a primary producer whose income may be averaged.

The rate is expressed in pence per £ as follows:

$$3 \text{ plus } \frac{3}{80} \text{ (income minus £100)}$$

with a maximum of 18 pence.

In other words, the rate rises gradually from $1\frac{1}{4}$ per cent for the smallest incomes subject to the contribution to a maximum of $7\frac{1}{2}$ per cent.

3. The Concessional Rate

This applies to a contributor who is entitled to a rebate of income tax for dependents, etc. This rate is lower than the basic rate, depending upon the amounts claimed for rebate purposes in computing income tax, again with a maximum of 18 pence.

The formula is complex and would take considerable space to set forth and elaborate. Its net effect is to produce a graduated rate similar to the basic rate except that it calls for a lower percentage contribution at the lower income levels and reaches the maximum of $7\frac{1}{2}$ per cent at a higher income level.

4. Minimum Incomes Subject to Contribution and Points at which Contribution reaches Maximum of $7\frac{1}{2}$ per cent

(£A = \$2.46 Can.)

	Contribution Commences		Contribution reaches 18 pence in pound	
	£	\$	£	\$
Single person	105	258	500	1,230
Person with dependent wife	201	494	650	1,599
Person with wife and one child	284	699	750	1,845
Person with wife and two children ..	318	782	800	1,968
Person with wife and three children.	351	863	850	2,091
Person with wife and four children ..	401	986	900	2,214
Person with wife and five children...	451	1,109	950	2,337

NEW ZEALAND

Personal Income Tax and Social Security Contribution (April 1, 1949 to March 31, 1950)

Personal Income Tax

1. Categories of Personal Income

In New Zealand personal incomes are divided into:

- (a) earned income,
- (b) unearned income.

2. Exemptions and Deductions

(£NZ = \$3.08 Can.)

	£NZ	\$Can.
Single status	200	616
Married status	300	924
Children eligible for F.A. payments	50	154
Other dependents	50	154
Life Insurance Premiums	lesser of £150 or 15% of income	(\$462)

The extra exemption of £100 (\$308) for married status is reduced by £2 (\$6.16) for every pound of income received by the spouse during the year in excess of £50 (\$154).

The tax reduction resulting from the exemption for supporting a spouse or a dependent relative is limited to £26 (\$80.08).

3. Tax Rebate

A rebate is allowed from the tax payable equal to £10 (\$30.80) or the amount of the tax, whichever is the lesser.

4. Minimum Incomes Subject to Tax

The combined effect of the foregoing exemptions and the tax rebate is that a taxpayer is not liable for any income tax until his income exceeds:

(£NZ = \$3.08 Can.)

	£NZ	\$Can.
If a single taxpayer	269	830
Married Taxpayer	369	1,138

5. Rate Schedule

(a) Earned Income

Basic Rates			
		on income up to £100	a rate of 12.5%
£	12.5	on £	plus
26.25		100	13.75% on excess
41.25		200	15.
57.5		300	16.25
75.		400	17.5
93.75		500	18.75
113.75		600	20.
135.		700	21.25
157.5		800	22.5
181.25		900	23.75
206.25		1000	25.
232.5		1100	26.25
260.		1200	27.5
288.75		1300	28.75
318.75		1400	30.
350.		1500	31.25
382.5		1600	32.5
416.25		1700	33.75
451.25		1800	35.
487.5		1900	36.25
525.		2000	37.5
563.75		2100	38.75
603.75		2200	40.
645.		2300	41.25
687.5		2400	42.5
731.25		2500	43.75
776.25		2600	45.
822.5		2700	46.25
870.		2800	47.5
918.75		2900	48.75
968.75		3000	50.
1020.		3100	51.25
1072.5		3200	52.5
1126.25		3300	53.75
1181.25		3400	55.
1237.5		3500	56.25
1295.		3600	57.5
1353.75		3700	58.75
		3800	60.

Additional Tax

Tax as computed by basic rates is increased by 15 per cent.

(b) Unearned Income

The tax on unearned income is the tax as computed by the basic rates and the additional tax of 15 per cent increased by a further 33½ per cent.

This super tax does not apply on unearned income in cases where a person's total taxable income (i.e. after deducting exemptions and deductions) does not

exceed £200. Where the taxable income exceeds £200 but does not exceed £400 the maximum amount of unearned income exempt from the $33\frac{1}{3}$ per cent super tax is £200 reduced by £1 for every pound by which the taxable income exceeds £200 so as to leave no exemption from the $33\frac{1}{3}$ per cent super tax in cases where the total taxable income exceeds £400.

(c) *Maximum tax rate*

The rate of tax for any one pound of income is limited to 15s. 6d. in the pound (77.5 per cent).

Social Security Contribution

Levied on total income* without exemption at a rate of $7\frac{1}{2}$ per cent.

TABLE I — SINGLE, NO DEPENDENTS

COMPARATIVE RATES OF INCOME TAX IN CANADA, AUSTRALIA AND NEW ZEALAND
WITH SOCIAL SECURITY LEVIES INDICATED FOR THE LAST TWO COUNTRIES

(All income assumed to be earned)

(£ A = \$2.46 Can. £ N.Z. = \$3.08 Can.)

Income	Canada	Australia			New Zealand		
	Income tax	Income tax	Social services contribution	Total tax	Income tax	Social security contribution	Total tax
\$ 100						8	8
300			5	5		23	23
500			14	14		38	38
700			29	29		53	53
900			49	49	10	68	78
1,000			60	60	25	75	100
1,200	30		88	88	57	90	147
1,300	45	5	97	102	74	98	172
1,500	75	23	113	136	108	113	221
1,800	120	56	135	191	164	135	299
2,000	150	82	150	232	203	150	353
2,250	193	119	169	288	255	169	424
2,500	235	161	188	349	310	188	498
2,750	278	207	206	413	367	206	573
3,000	320	258	225	483	428	225	653
3,500	415	372	263	635	558	263	821
4,000	510	504	300	804	699	300	999
5,000	700	817	375	1,192	1,017	375	1,392
7,500	1,270	1,784	563	2,347	2,016	563	2,579
10,000	1,960	2,962	750	3,712	3,306	750	4,056
20,000	5,960	8,990	1,500	10,490	10,063	1,500	11,563
30,000	10,660	15,668	2,250	17,918	16,963	2,250	19,213
50,000	21,110	29,168	3,750	32,918	30,763	3,750	34,513
75,000	35,560	46,043	5,625	51,668	48,013	5,625	53,638
100,000	51,010	62,918	7,500	70,418	65,263	7,500	72,763
200,000	119,710	130,418	15,000	145,418	134,263	15,000	149,263

Prepared by the Department of Finance—May 3, 1950.

* Except income received as social security benefits, pensions in respect of war services and workers compensation.

TABLE II—MARRIED, NO DEPENDENTS
(All income assumed to be earned)
(£ A = \$2.46 Can. £ N.X. = \$3.08 Can.)

Income	Canada	Australia			New Zealand		
	Income tax	Income tax	Social services contribution	Total tax	Income tax	Social security contribution	Total tax
\$ 100						8	8
500						38	38
700			9	9		53	53
1,000			37	37		75	75
1,200			60	60	9	90	99
1,500			103	103	56	113	169
1,800		17	135	152	107	135	242
2,000		39	150	189	144	150	294
2,250	34	72	169	241	192	169	361
2,500	75	109	188	297	243	188	431
2,750	113	152	206	358	297	206	503
3,000	150	199	225	424	354	225	579
3,500	235	305	263	568	478	263	741
4,000	320	429	300	729	619	300	919
5,000	510	729	375	1,104	937	375	1,312
7,500	1,030	1,673	563	2,236	1,936	563	2,499
10,000	1,660	2,851	750	3,601	3,226	750	3,976
20,000	5,510	8,879	1,500	10,379	9,983	1,500	11,483
30,000	10,160	15,558	2,250	17,808	16,883	2,250	19,133
50,000	20,560	29,058	3,750	32,808	30,683	3,750	34,433
75,000	34,960	45,933	5,625	51,558	47,933	5,625	53,558
100,000	50,360	62,808	7,500	70,308	65,183	7,500	72,683
200,000	119,010	130,308	15,000	145,308	134,183	15,000	149,183

Prepared by the Department of Finance—May 3, 1950.

TABLE III—MARRIED, TWO CHILDREN UNDER 16 YEARS OF AGE
(All income assumed to be earned)
(£ A = \$2.46 Can. £ N.Z. = \$3.08 Can.)

Income	Canada	Australia			New Zealand		
	Income tax	Income tax	Social services contribution	Total tax	Income tax	Social security contribution	Total tax
\$ 100						8	8
500						38	38
1,000			14	14		75	75
1,200			31	31		90	90
1,500			68	68	8	113	121
1,800			116	116	55	135	190
2,000			150	150	88	150	238
2,250		24	169	193	133	169	302
2,500	30	58	188	246	180	188	368
2,750	68	96	206	302	230	206	436
3,000	105	139	225	364	284	225	509
3,500	184	239	263	502	399	263	662
4,000	269	355	300	655	530	300	830
5,000	453	641	375	1,016	834	375	1,209
7,500	964	1,559	563	2,122	1,797	563	2,360
10,000	1,582	2,723	750	3,473	3,051	750	3,801
20,000	5,375	8,732	1,500	10,232	9,771	1,500	11,271
30,000	10,010	15,410	2,250	17,660	16,671	2,250	18,921
50,000	20,395	28,910	3,750	32,660	30,471	3,750	34,221
75,000	34,780	45,785	5,625	51,410	47,721	5,625	53,346
100,000	50,165	62,660	7,500	70,160	64,971	7,500	72,471
200,000	118,800	130,160	15,000	145,160	133,971	15,000	148,971

Prepared by the Department of Finance—May 3, 1950.

TOTAL COSTS OF OLD AGE SECURITY PROPOSALS AT VARIOUS AGES AND AMOUNTS

(on a universal basis, free of means test)

Eligible Age	Population	\$30	\$40	\$50	\$60	\$100
Age		\$	\$	\$	\$	\$
70.....	674,500 (1951)	242,820,000	323,760,000	404,700,000	485,640,000	809,400,000
.....	869,300 (1961)	312,948,000	417,264,000	521,580,000	625,896,000	1,043,160,000
.....	1,042,100 (1971)	345,156,000	500,208,000	625,260,000	750,312,000	1,250,520,000
70 (Male).....	877,100 (1951)	351,756,000	421,008,000	523,260,000	631,512,000	1,052,520,000
65 (Female).....	1,119,300 (1961)	402,948,000	537,264,000	671,580,000	805,986,000	1,343,160,000
.....	1,337,300 (1971)	481,428,000	641,904,000	802,380,000	962,856,000	1,604,760,000
65.....	1,101,400 (1951)	396,504,000	528,672,000	660,840,000	792,008,000	1,321,680,000
.....	1,372,500 (1961)	494,100,000	658,800,000	823,500,000	988,200,000	1,647,000,000
.....	1,630,000 (1971)	586,800,000	782,400,000	978,000,000	1,173,600,000	1,956,000,000
65 (Male).....	1,354,100 (1951)	487,476,000	649,968,000	812,460,000	974,952,000	1,624,920,000
60 (Female).....	1,667,700 (1961)	600,372,000	800,496,000	1,000,620,000	1,200,744,000	2,001,240,000
.....	1,998,000 (1971)	719,280,000	959,040,000	1,198,800,000	1,438,560,000	2,397,600,000
60.....	1,631,900 (1951)	587,484,000	783,312,000	979,140,000	1,174,968,000	1,958,280,000
.....	1,969,700 (1961)	709,092,000	945,456,000	1,181,820,000	1,418,184,000	2,363,640,000
.....	2,366,900 (1971)	852,084,000	1,136,112,000	1,420,140,000	1,704,168,000	2,840,280,000

APPENDIX "E"

SUPPLEMENTARY MEMORANDUM *re*
CANADA'S OLD AGE PENSION PROGRAM

1. Chart "A" (p. 28 of Evidence)—No additional information required.

2. Chart "B" (p. 29 of Evidence) (Old Age Pensions Case Loads and Costs)—The following to be added—

1949-50—Number of Pensioners	282,584
Federal Payments	\$89,652,203.32
Provincial Payments	\$29,884,067.77

3. Chart "C" (p. 29 of Evidence) (Percentage of Pensioners to Population 70 and Over)—The following to be added—

1950—Newfoundland	76.3
Prince Edward Island	45.1
Nova Scotia	57.4
New Brunswick	71.5
Quebec	49.3
Ontario	34.1
Manitoba	43.4
Saskatchewan	42.0
Alberta	43.5
British Columbia	40.0
Northwest Territories	12.6
Yukon	32.9
Canada	43.1

4. Chart "D" (p. 31 of Evidence)—Values Placed upon Free Board and Shelter—The following changes to be made providing up-to-date information from Alberta and Prince Edward Island (April 1950)—

<i>Alberta—</i>	
<i>Single—</i> Free Shelter (rural).....	\$ 48
(urban).....	60
Free Board	120
Free Board and Shelter	180
<i>Married Couple—</i>	
Free Shelter (rural).....	60
(urban).....	96
Free Board	240
Free Board and Shelter	360
<i>Prince Edward Island—</i>	
<i>Single—</i> Free Shelter	\$ 60
Free Board	200
Free Board and Shelter	200
<i>Married Couple—</i>	
Free Shelter	120
Free Board	400
Free Board and Shelter	400

5. Chart "E" (p. 33 of Evidence)—To be added—Average Monthly Pension Paid—

March 31, 1950, Maximum Pension \$40.00

Alberta	\$37.90
British Columbia	\$37.17
Manitoba	\$38.44
New Brunswick	\$36.22
Nova Scotia	\$35.41
Ontario	\$38.06
Prince Edward Island	\$34.36
Quebec	\$37.73
Saskatchewan	\$37.30
Northwest Territories	\$39.71
Yukon Territory	\$38.65
Newfoundland	\$29.47 (\$30 Maximum)
Canada	\$37.21

6. Percentage of Old Age Pensioners Receiving Maximum Pension Payable (by Provinces, March 1950).

Province	Total pensioners	Receiving maximum	Per cent
Alberta.....	16,445	12,810	77.9
British Columbia.....	28,988	20,275	69.9
Manitoba.....	16,868	13,680	81.1
New Brunswick.....	16,231	9,469	58.3
Newfoundland (\$30 maximum).....	10,296	9,718	94.4
Nova Scotia.....	19,966	9,286	46.5
Ontario.....	85,100	66,118	77.7
Prince Edward Island.....	2,976	1,056	35.5
Quebec.....	69,017	56,922	82.5
Saskatchewan.....	16,566	8,839	53.4
Northwest Territories.....	23	21	91.3
Yukon Territory.....	108	96	88.9
	282,584	208,290	73.7

7. Chart "F" (see p. 35 of Evidence)—Recoveries from Estates—To be added—

	Alberta	British Columbia	Manitoba
1949-50—Total.....	41,924.63	116,005.19	41,265.15
Dominion's share.....	31,443.47	86,526.04	30,835.52
	New Brunswick	Nova Scotia	Ontario
Total.....	2,951.45	9,490.33	280,886.74
Dominion's share.....	2,213.59	7,117.75	210,494.98
	Prince Edward Island	Quebec	Saskatchewan
Total.....	348.74	60,535.22	57,394.25
Dominion's share.....	261.56	45,401.41	43,011.19
	Yearly totals		
Total.....	610,801.70		
Dominion's share.....	457,305.51		

8. Special Table on Recoveries from Estates (see p. 36 of Evidence) The following should be added—

Year	Total pension Payments \$	Recoveries from estates \$	Percentage %
1949-50	119,536,271	610,802	0.51

9. Chart "G" (see p. 39 of Evidence) Applications Declined 1949-50

	Alta.	B.C.	Man.	N.B.	N.S.	Ont.	P.E.I.	Que.	Sask.	Nfld.	Y.T.	Total
1. Not 70.....	97	84	124	60	124	412	29	167	166	114	2	1,379
2. Unable to prove age.....	6	49	3	7	2	26		12	17	5		127
3. Too much income.....	96	131	44	215	190	240	60	370	163	110	8	1,627
4. Not sufficient residence.....	15	6	4	5	11	21	3	18	13			100
5. Unable to prove residence.....		6	1		1	2		5	7			22
6. Transferred property.....	28	27	39	4	1	51	24	72	73			319
7. War Veterans Allowance.....	4	2		22	6	15	13	9	6		2	79
8. Pension for blind.....		5				7	1	1				14
9. An Indian.....					1	1		4				6
10. Refused information.....	24	3	10	8	4	293		31	28			401
11. Assistance private source.....				5	1	62	3		5			76
12. In mental hospital.....		2		1	3	30	1	5	4		1	47
13. Entitled to support.....					12	55	1					68
Total.....									4,265			
Pensions granted during fiscal year 1949-50.....									55,387			
Total applications dealt with.....									59,652			
Percentage of rejections.....									7.15			

10. Other information requested by Committee

On pages 53 to 55 the Committee discussed the decrease in the percentage of pensioners to population 70 years of age and over in the Province of Saskatchewan. The Saskatchewan authorities have furnished available statistics showing the number of pensions added to and deducted from the paylists for different reasons from 1937-38 to 1949-50 as follows—

Fiscal year	New granted	Reinstated	Rejected	Died	Withdrawn or suspended	Left Saskatchewan	Came to Saskatchewan	Pensioners
1937-38.....	1,521		371	974	247			11,761
1938-39.....	1,469		265	926	227			12,245
1939-40.....	1,644		527	1,049	261			12,699
1940-41.....	1,828		324	1,178	302			13,083
1941-42.....	1,358		419	1,081	234			13,262
1942-43.....	1,355	117	151	1,182	352	497	341	13,044
1943-44.....	1,304	132	326	1,196	332	567	330	12,715
1944-45.....	1,672	167	406	1,137	321	638	363	12,821
1945-46.....	2,179	212	785	1,198	345	610	419	13,478
1946-47.....	2,198	177	639	1,098	341	610	403	14,204
1947-48.....	2,466	224	580	1,315	348	739	444	14,836
1948-49.....	2,895	245	813	1,402	510	695	446	15,785
1949-50.....	2,429	283	705	1,381	400	637	486	16,566

11. On page 73 (April 18, 1950) Mr. Knowles asked for "a few sample comparisons" which would show whether a pensioner owing real property of a stated amount was better off or worse off under the income regulations than one owning the same amount of personal property.

Example I

"A", single, owns real property valued at \$4,000 with a mortgage against the property of \$1,500. His equity, therefore, is \$2,500. The calculation of income, according to the procedures adopted by the provinces as set forth on pages 31 and 32 of the Minutes of Proceedings and Evidence (April 18, 1950), would allow pension ranging from \$440 to \$480 a year.

"B", single, owns personal property valued at \$2,500. His income is calculated on the amount of \$2,250 as the Regulations exempt \$250. The annuity value is \$230.29 (for males). If there is no other source of income the pensioner is entitled to a pension of \$369.71 a year.

The above calculations do not take into account the cost of maintaining real property in the case of "A" or the cost of paying rent in the case of "B". As "A", under any of the procedures adopted by the provinces, receives a higher amount of pension than "B", it would have to be established that the cost of maintaining "A's" real property was greater than "B's" rent in order to prove that "B" was better off than "A". In view of the present level of rents it would seem reasonable to conclude that "B's" expenditure in renting shelter would be not less than "A's" expenditure for maintaining his real property.

Example II

"A", married, spouse over 70 years of age, owns real property valued at \$4,000 with a mortgage against the property of \$1,500. His equity is, therefore, \$2,500. Under the procedures adopted by the provinces for the purpose of calculating income from real property used as a home, the amounts charged as income would vary from \$120 to \$160 a year. The pensions payable under the different procedures would be from \$460 a year to \$480 a year each.

"B", married, spouse over 70 years of age, owns personal property valued at \$2,500. Of this amount \$500 is disregarded under the Regulations and the annuity value calculated on the remaining \$2,000. The amount of annuity charged as income for the two spouses would be \$189.61. This amount would allow total pension of \$890.39 a year or \$445.19 each.

It would seem reasonable to conclude that "B's" expenditure in renting shelter for himself and spouse would be not less than "A's" expenditure for maintaining his real property.

Example III

"A", married, spouse under 70 years of age, owns real property valued at \$4,000 with a mortgage of \$1,500. With his equity of \$2,500, the amounts charged as income under the different procedures adopted by the provinces would vary from \$120 to \$160 a year. As the allowable income would be \$600 a year, these amounts would not affect the pension which would be paid at the maximum rate of \$480 a year.

"B", married, spouse under 70 years of age, owns personal property valued at \$2,500. Of this amount \$500 is disregarded and income taken to be the annuity value of the remaining \$2,000. The calculation would be made by taking the amount of annuity for a male purchasable with \$1,000 at the age of 70 years and for a female at whatever age the wife happened to be when application for pension was made. The amount purchasable with \$1,000 for a female at age 70 is \$87.26 so that the amount charged for the wife would be less than that amount. The man's annuity would be \$102.35. As the allowable income is \$600 in such a case, the annuity could not affect pension which would be paid at the maximum amount of \$480.

It would seem reasonable, once again to conclude that "B's" expenditure in renting shelter for himself and spouse would be not less than "A's" expenditure for maintaining his real property.

APPENDIX "F"

CORRESPONDENCE WITH AND SUBMISSIONS
FROM PROVINCES

PROVINCE OF NEWFOUNDLAND

Department of Public Welfare

Office of The Minister

St. John's

April 13, 1950.

Mr. R. ARSENAULT,
Clerk of the Committee on Old Age Security,
House of Commons,
Ottawa.

Dear Mr. Arsenault,

This letter is a mere acknowledgment of yours of April 6th in which you inquire whether this Department will have information on Old Age Security related to this Province for the benefit of the Joint Committee set up to study this matter. We have begun to look into the question in the light of the terms of reference of the Committee and I shall be glad to write you more definitely toward the end of the present month.

Yours sincerely,

(Sgd.) H. L. Pottle,
H. L. POTTLE,
Minister of Public Welfare.

PROVINCE OF NEWFOUNDLAND

Office of The Minister

St. John's

April 29, 1950.

Mr. R. ARSENAULT,
Clerk of the Committee on Old Age Security,
House of Commons,
Ottawa.

Dear Mr. Arsenault,

Further to my letter of April 13th, I enclose herewith a statement on Old Age Security related to this Province for the use of your Committee.

Our House of Assembly is in session here now and I have not been able to have the article prepared as promptly as I should like. I hope, however, it will reach you in time.

Sincerely yours,

(Sgd.) H. L. Pottle,
H. L. POTTLE,
Minister of Public Welfare.

Encls. 3

OLD AGE PENSIONS: NEWFOUNDLAND

I. *Factual.*

On May 21st, 1949, the Government of Newfoundland entered into an agreement with the Government of Canada whereby under the provisions of the Federal Old Age Pensions Act a monthly pension of \$30 was made payable to persons qualifying for pension under that Act. This agreement became effective on April 1st, 1949.

On February 27th, 1950, a second agreement was signed by which the monthly pension was raised to \$40, and became effective on April 1st, 1950.

The Province pays no supplementary allowance, but pays a monthly pension of \$25 to persons 70 years of age and over who do not meet the full Federal requirements, particularly with regard to proof of age.

On the basis of an estimated population of 348,000, it is calculated that there are some 13,400 persons in Newfoundland 70 years of age and over, 3·8% of the total population, and 22,000 persons 65 years of age and over, or 6·3% of the total population.

During the first year of administration the Old Age Pensions Board received 11,848 applications for pension. Of that number 11,283, or 88·4% of the total estimated number of persons in the Province 70 years of age and over, qualified for either full or fractional pension according to the Federal conditions.

The average pension paid was \$29·57.

The total expenditure on Federal old age pensions for the first full fiscal year, 1949-50, was \$2,972,595, apportioned as follows:

Government of Canada	\$2,229,446
Government of Newfoundland	743,149
Total	<u>\$2,972,595</u>

II. *General Observations.*

The Old Age Pensions Board was constituted under the provisions of The Old Age and Blind Persons Act, 1949, the Act No. 34 of 1949, enacted March 31st, 1949—a copy, with amendment, is enclosed. The Board as such therefore has had only one year's experience, and the scope of the observations that follow will, as a result, be limited.

1. *Income.* The Board has experienced some difficulty in determining the true extent of an applicant's (or pensioner's) income, especially in cases where, on account of the nature of his employment (e.g., fishing), income fluctuates considerably from year to year. Moreover, the Board feels that the strict enforcement of the means test tends to encourage devices on the part of the applicant (or pensioner) which cannot be regarded as wholly honest. For instance, in the case of an applicant (or a pensioner) and his son fishing together, there is often the tendency for the son to have the supplies from the merchant issued exclusively in his own name, even though the father shares in them as well. Furthermore, in Newfoundland the labouring classes do not perhaps make use of the Savings Banks as widely as elsewhere, and consequently it is not easy to apprehend the actual amount of surplus earnings. The fact that such a high percentage of persons of pensionable age qualify for pension is also significant.

2. *Allowable Income.* Our Board has found that certain pensioners already receiving a very modest industrial or government pension can qualify only for a much reduced old age pension. The two pensions together are often insufficient to meet necessary living expenses, with the result that these persons suffer some privation. For many people in similar circumstances the raising of

the maximum to \$40 does not allow any increase in their old age pension. If, however, the ceiling were raised the lot of such pensioners would be improved.

3. *Property.* As in the case of income, an equitable evaluation of property is likewise difficult to establish. This is particularly true of Newfoundland where, because of lack of municipal government, the value of property is not assessed, with the exception of St. John's and a few outside areas, according to any reliable standard. There is moreover, a wide disparity between the value at which property might be assessed and its local value realized by sale.

4. *Contributory Pensions.* Our observations in this respect will be necessarily general. Our experience in administering welfare services thus far inclines us strongly to the view that although "contribution" will be an unsavoury suggestion of more taxation, with all that that implies for the Newfoundland attitude toward taxation, nevertheless this attitude will tend to adjust itself with time. In any event, the virtues of the principle of contribution are so conclusive as to require no elaboration here and, in our view, outweigh all other considerations.

5. *Industrial Pensions.* There is no wide coverage in Newfoundland. Certain business firms and industrial concerns have adopted schemes which apply more or less *ad hominem*, depending in part upon the class of work and the age of the person. Thus the shortcomings of this form of insurance apply in Newfoundland as elsewhere.¹

6. *Views of Organized Labour.* It can be said with some certainty that the views of organized labour in Newfoundland regarding old age security accord outright, as far as basic principles are concerned, with the views of labour on the mainland.

7. *Social Security.* I submit, with deference, that the problem of old age security can be viewed in its proper perspective only within the framework of an over-all security system which I realize is beyond the Committee's terms of reference. I raise the question, however, because I believe that the experience of Newfoundland over the past year, limited as it is, is nonetheless quite relevant, partly because it is somewhat unique.

The advent of Confederation brought a scale of welfare benefits to Newfoundland far exceeding anything the Island had ever known—among these, old age pensions. The pre-Confederation pension was paid on the following basis:

- (i) at 75 years of age;
- (ii) at the rate of \$6 a month to a single pensioner;
- (iii) at the rate of \$10 a month to a married pensioner;
- (iv) the widow of a pensioner had to be 65 years of age at the time of her husband's death to qualify for pension.

Other allowances, such as the widow's allowance, were correspondingly meagre.²

The uniqueness of Newfoundland's position consisted mainly in this, that under Confederation, in view of her retardation in matters of social welfare vis-a-vis the other Provinces, she was obliged to review her entire system of welfare benefits. The greatly increased old age pension set the pace. As a result, in justice to other classes of dependent persons, the Province felt it necessary to increase existing allowances and to introduce new ones. The point is that improved security for the aged, good as it is in its own right, involves an increased financial responsibility on the part of the Province to provide correspondingly for other classes—that is, if anything like a balanced system of security, which seems desirable, is to be maintained. If a crippled invalid at 69

¹ *The New York Times Magazine*, October 16th, 1949. Article: "The Pressing Problem of Old-Age Security."

² *Canadian Welfare*, July, 1945: An Article by the present writer.

can be paid only \$30 a month from provincial funds while an able-bodied person at 70 is paid \$40 as old age pension, it is not enough to try and justify to the invalid this difference of treatment by saying "Of course the Government of Canada pays three-fourths of the old age pension." For, in the first place, both have to be paid for in much the same way; second, the difference in treatment cannot be justified in any event from the point of view of a balanced over-all security; and furthermore, the difference tends to create administrative difficulties at the provincial level.

This question of balance seems to me to be significant also because it takes into consideration the social economy of any given area, e.g., any given province. A monthly allowance of \$40 is not considerable in a city like Victoria, but it is considerable in an outport of Newfoundland, and where it reaches \$80, as in the case of married pensioners, it becomes out of line with the normal earnings of most of the labouring, so-called independent class.

Up to a point it could be argued that what is desirable is a flexible arrangement whereby, out of a number of possible agreements that might be made between the Dominion and the provinces, a province might select that which best suited its particular socio-economic conditions. However, one weakness is that, for political reasons at least, a province might be tempted to keep up with the other provinces and thus be extended beyond its means.

If nationhood consists, as I think it does, among other things, in equalizing opportunities as far as possible, then I think I find an effective way of demonstrating this in an approach to the problem in question, whereby the Dominion would have regard to the various provincial needs not only of the aged but of all other forms of dependency as well. It is in this context that I have referred at length to a balanced social security.

This statement, I realize, has gone beyond the range of the answer which your letter properly requires. It does not necessarily represent the views of the Government of Newfoundland, although I can say that the Premier has read the manuscript and agrees with it in principle. If your Committee are able to make use of the information and point of view put forward I shall of course be gratified. If you desire clarification on points raised, I shall gladly oblige.

H. L. POTTLE,

Minister of Public Welfare.

(Newfoundland).

1949 OLD AGE AND BLIND PERSONS PENSION ACT

No. 34

NEWFOUNDLAND

AN ACT TO PROVIDE FOR OLD AGE PENSIONS AND PENSIONS FOR BLIND PERSONS

(31st March, 1949)

Section

- 1.—Power of Government to enter into Agreement.
- 2.—Maximum amount of pension.
- 3.—Appointment of Board and Officers for administration.
- 4.—Duties of Board.
- 5.—Decisions of Board final.
- 6.—Pensioners not to be disqualified from voting.
- 7.—Pension not to be alienated or subject to seizure.
- 8.—Recovery from pensioner's estate; exception.
- 9.—Cost payable from public funds.
- 10.—Provision for repeal.
- 11.—Short title.

Be it enacted by the Governor, by and with the advice of the Commission of Government, as follows: A.D. 1949.

Power of Government to enter into Agreement.

1. The Governor in Commission may, upon the application to Newfoundland of the provision of the Old Age Pensions Act being Chapter 156 of the Revised Statutes of Canada as amended, hereinafter called "the Dominion Act",

- (a) enter into and carry out an agreement as to a general scheme of pensions in Newfoundland, pursuant to the provisions of the Dominion Act, and for the quarterly payment to the Government of Newfoundland of the total of the amounts the Government of Canada is under Section 8 and 8A of the Dominion Act authorized to contribute in respect of pensions paid during the preceding quarter by the Government of Newfoundland pursuant to this Act, to the persons and under the conditions specified in the Dominion Act and the regulations made thereunder;
- (b) by order authorize and provide for the payment of pensions under the conditions specified in this Act and the regulations made hereunder, and in the Dominion Act and the regulations made thereunder;
- (c) make regulations not inconsistent with the Act or the Dominion Act, as he considers necessary for the proper administration of this Act and for regulating expenditures to be made thereunder.

Maximum amount of pension.

2. In the agreement referred to in Section 1 (a) hereof, the maximum pension to be paid by the government of Newfoundland shall not be specified in an amount in excess of thirty dollars monthly.

Appointment of Board and Officers for administration.

3. (1) The Governor in Commission may appoint three officials of the Department of Public Health and Welfare as a board to be known as "The Old Age Pensions Board", and shall designate one of such persons to be the chairman thereof.

(2) The Board shall, under the Commissioner for Public Health and Welfare, be charged with the administration of this Act.

(3) The Governor in Commission may appoint such officers, clerks and servants as are required for the proper administration of this Act and may fix their salaries.

Duties of Board.

4. It shall be the duty of the Board—

- (a) to receive applications for pensions; and
- (b) to determine the eligibility of each applicant for pension and, where the applicant is eligible, to determine the amount thereof and direct payment accordingly.

Decisions of Board final.

5. Subject to the right of the Board to rescind, amend, suspend or cancel any determination or direction made by it, every determination and direction of the Board shall be final and shall not be subject to review by any court of law or otherwise.

Pensioners not to be disqualified from voting.

6. No person shall, by reason only of the receipt of a pension under this Act, be disqualified from voting at any election.

Pension not to be alienated or subject to seizure.

7. No pension shall be subject to alienation or transfer by the pensioner, or to seizure in satisfaction of any claim against him.

Recovery from pensioner's estate; exception.

8. (1) The Board is hereby authorized to recover out of the estate of any deceased pensioner, as a debt due by such pensioner, the sum of the pension payments made to such pensioner from time to time;

(2) No claim shall be made by the Board for the recovery of such debt directly or indirectly out of any part of the pensioner's estate that passes by will or on any intestacy to any other pensioner or to any person who has, since the grant of such pension or for the last three years during which such pension has continued to be paid, regularly contributed to the support of the pensioner by the payment of money or otherwise to an extent which, having regard to the means of the person so having contributed, is considered by the Board to be reasonable.

Cost payable from public funds.

9. Pensions and the expenses of administration of this Act shall be payable out of such moneys as may be provided therefor by the Commission of Government out of public funds.

Provision for repeal.

10. As from the date on which the agreement by this Act authorized comes into force, the Old Age Pensions Act, 1934, as amended by the Act No. 21 of 1942, the Act No. 8 of 1943, and the Act No. 40 of 1943, shall cease to have effect and may as from that date be repealed by Proclamation published in the *Newfoundland Gazette*.

Short title.

11. This Act may be cited as the Old Age and Blind Persons Pension Act, 1949.

1949

No. 48

OLD AGE AND BLIND PERSONS PENSION (AMENDMENT) ACT

NEWFOUNDLAND

An Act to Amend the Old Age and Blind Persons
Pension Act, 1949.

(28 July, 1949.)

Be it enacted by the Lieutenant-Governor and House of Assembly in Legislative Session convened, as follows:—

Short title.

1. This Act may be cited as the Old Age and Blind Persons Pension (Amendment) Act, 1949.

Amendment, Section 1.

2. Section 1 of the Old Age and Blind Persons Pension Act, 1949, is hereby amended—

(a) by re-lettering paragraphs (b) and (c) of the said Section as paragraphs (c) and (d) respectively; and

- (b) by inserting immediately after paragraph (a) as paragraph (b) the following:—
- (b) modify any agreement made under the provisions of paragraph (a) hereof or enter into a new agreement in place of any such agreement which may be cancelled or otherwise determined, and references in this Act to an agreement made under paragraph (a) shall apply to any agreement or modification made under this paragraph.

Amendment, Section 2.

3. Section 2 of the Old Age and Blind Persons Pension Act, 1949, is hereby amended by striking out the words "thirty dollars" and substituting therefor the words "forty dollars".

Insertion new, Section 9A.

4. The said Act is hereby further amended by inserting after Section 9 as Section 9A the following:—

Declarations.

9A. Any official appointed by the Department of Public Welfare to investigate applications for pensions under this Act, shall have authority to take statutory declarations under the Evidence Act, 1919, with respect to such applications.

HOUSE OF COMMONS

CANADA

OTTAWA, May 3, 1950.

Hon. H. L. Pottle, M.L.A.,
Minister of Public Welfare,
St. John's, Newfoundland.

Dear Dr. Pottle,

Mr. Arsenaault, Clerk of the Joint Parliamentary Committee on Old Age Security, has handed to me your letter of April 29th and the brief you forwarded for consideration by the Committee.

I am having copies of the brief prepared in order that they may be distributed to the Committee members who I know would wish to join with me in thanking you for letting us have the benefit of your views.

Yours very truly,

(Sgd.) JEAN LESAGE,

JEAN LESAGE, M.P.,

Chairman,

*Joint Parliamentary Committee
on Old Age Security.*

NOVA SCOTIA

MINISTER OF PUBLIC WELFARE

NOVA SCOTIA

HALIFAX, 28th April, 1950

Dear Mr. ARSENAULT:

I wish to thank you for your letter of the 6th inst., advising me that the joint Committee of the Senate and House of Commons appointed to examine and study the matter of Old Age Security, desired to know whether or not this Department wished to furnish the Committee with any information which might be helpful to it in the consideration of all matters pertaining to old age security.

This Department is ready and willing to furnish the Committee with any information which it might require. I understand from Mr. Farquhar, the Director of Old Age Pensions in the Province of Nova Scotia, that some information has already been forwarded.

Again thanking you, I remain,

Yours very truly,

(Sgd.) A. H. McKINNON,

Acting Minister of Public Welfare

Mr. R. ARSENAULT

Clerk of the Committee on Old Age Security
House of Commons, Ottawa,
Canada

(NOTE: The information referred to in the second paragraph of Mr. McKinnon's letter consisted of application forms.)

HOUSE OF COMMONS

CANADA

OTTAWA, May 3, 1950.

Hon. A. H. McKINNON, M.L.A.,
Acting Minister of Public Welfare,
Halifax, Nova Scotia.

Dear Mr. McKINNON:

Mr. Arsenault, Clerk of the Joint Parliamentary Committee on Old Age Security, has handed to me your letter of April 28th in which you express the willingness of your Department to furnish the Committee with any information it might require.

I know that the members of the Committee would wish to join with me in expressing to you our sincere appreciation of your offer.

Yours very truly,

(Sgd.) JEAN LESAGE.

JEAN LESAGE, M.P.

*Chairman,
Joint Parliamentary Committee on Old
Age Security.*

ONTARIO

DEPARTMENT OF PUBLIC WELFARE

OFFICE OF THE MINISTER

TORONTO 2, April 25th, 1950.

Mr. R. ARSENAULT,
Clerk of the Committee on Old Age Security,
House of Commons,
OTTAWA, Ontario.

Dear Mr. ARSENAULT:

You have asked me to comment on the administration of Old Age Pensions in Ontario.

As you no doubt are aware, the Government of this Province and myself on numerous occasions have advocated a universal pension to persons 70 years of

age and over, and in addition we have expressed the thought that contributory old age security without a means test might be possible.

It is recognized that any drastic change in the present procedure would, of necessity, take some considerable time to implement. Therefore, the attached observations are made at this time to assist in acquainting the Committee with some of the more contentious features of the present Act.

I would like to take this opportunity of extending to the Committee or its individual members an invitation to visit this Department and examine the administration of pensions in Ontario. I am certain that much useful information could be obtained from a review of the activities of the Old Age Pensions Commission.

Yours sincerely,

(Sgd.) W. A. GOODFELLOW,
Minister.

ONTARIO

DEPARTMENT OF PUBLIC WELFARE OFFICE OF THE MINISTER

In submitting the following, we have concerned ourselves only with Sections 8 and 9 of the Old Age Pensions Act (Canada). These Sections appear to be the most contentious in the administration of this Act.

8. (1) (a) (ii)

Pursuant to an agreement made with a province under section three of this Act, the Government of Canada will contribute in respect of each person in receipt of pension from such province an amount not to exceed seventy-five per centum of thirty dollars monthly or of the amount paid by such province monthly, whichever is the lesser, for pension to each person, if such person has resided in Canada for the twenty years immediately preceding the said date or if he has not so resided, has been present in Canada prior to such twenty years for an aggregate period equal to twice the aggregate period of absences from Canada during such twenty years.

In practical application this section of the Act is discriminatory. It tends to disqualify applicants who are unable to provide acceptable evidence of extended residence in Canada, whereas a lesser period of continuous residence would suffice, and at the same time provide an adequate safeguard against any abuses that may arise.

8. (c) (i) an unmarried person and his income inclusive of pension is not more than six hundred dollars a year, or
- (ii) married to and living with a sighted spouse, and the total income of such person and his spouse inclusive of pension is not more than one thousand and eighty dollars a year, or
- (iii) married to and living with a blind spouse and the total income of such person and his spouse inclusive of pension, is not more than twelve hundred dollars a year. 1947, c.67, s.4.

This section has the effect of establishing the maximum subsistence of all pensioners. Individuals are discouraged by the restrictions of this section from attaining a higher standard of living unless they forsake the pension entirely.

It is apparent, in more than fifty per cent of the cases receiving pensions in Ontario that those who attempt to provide more adequately for themselves are unable to accept the opportunities available because of their own inability to earn a full livelihood. The aged person who could obtain part time or seasonal employment is so restricted in his amount of earnings that he finds it impracticable or impossible to accept these jobs. In many cases such a pensioner accepts charity whereas, if encouraged, he would use his own initiative to supplement his pension.

The last Amendment to the Act increased the pension from \$30.00 to \$40.00 a month, but did not increase the maximum income by a corresponding amount. In Ontario this has resulted in approximately twenty-three thousand, five hundred of the total eighty-seven thousand receiving a monthly pension of less than \$40.00. The number of pensioners receiving less than the maximum pension is increasing each month. This is due entirely to the restricted amount of allowable income, and gives cause for alarm.

If a maximum income is to be incorporated in any pension scheme, it should provide for an outside income in addition to pension at least equivalent to the amount of outside income provided for in the Act prior to this Amendment.

9. (1) The contributions to be made by the Government of Canada pursuant to section eight or eight A of this Act in respect of a pensioner shall be subject to the condition that when it appears to the pension authority that any pensioner or his spouse has made an assignment or transfer of property for the purpose of qualifying the pensioner for pension or for a larger pension than he is otherwise entitled to, the pension authority shall

- (a) defer the payment of pension until such property is reassigned or transferred to the pensioner or spouse, as the case may be, or until such time as the value of the interest that the pensioner or the spouse had in such property is exhausted at a rate calculated in manner provided by regulation,
- or
- (b) take into account in determining the amount of pension, if any, that such pensioner should receive, the income derivable from such property as if the assignment or transfer had not been made.

This section presents many administrative situations which contribute greatly to inequalities when eligibility for pension is being decided.

During the Fiscal Year, 1949-50, from a total of eighteen thousand, eight hundred and eighty-two applications received, only fifty-three were deferred for transfers of real or personal property which were proved to have been contrary to the Act. Obviously, the number of applications deferred does not warrant the inclusion of this section. In addition, the effect of this section contributes to delay in the granting of pension. Under it, the pension authority, to be assured of Federal participation in the pension, assists the applicant to obtain all necessary evidence to rebut the presumption that the transfer was made for the purpose of qualifying for pension. An administrative bottleneck has resulted. Ordinarily, pension is granted within two months of application. However, applications which infringe on this section of the Act are rarely completed so promptly, and the decision of the Commission frequently may be delayed for six or eight months.

- (2) An agreement made pursuant to section three of this Act shall include an undertaking by the province that the pension authority will be authorized to recover out of the estate of any deceased pensioner, as a debt due by the pensioner, the sum of the pension payments made to such pensioner from time to time and such agreement shall specify

the circumstances under which recovery of such debt shall be made but shall provide that no claim shall be made for the recovery of any such debt directly or indirectly out of any part of the pensioner's estate which passes by will or on an intestacy to any other pensioner or to any person who has, since the grant of such pension or for the last three years during which such pension has continued to be paid, regularly contributed to the support of the pensioner by the payment of money or otherwise to an extent which, having regard to the means of the person so having contributed, is considered by the pension authority to be reasonable.

This section has many deterrent effects on persons who would apply and qualify for pension if they were not concerned for fear that their property would be taken from them. This attitude of mind has, to a large extent, restricted the effectiveness of the present legislation. The amount recovered from estates of deceased pensioners has never been sufficient to warrant this discriminatory feature being incorporated in the Act.

During the Fiscal Year 1949-50, thirty-seven million, two hundred and seventy-one thousand, one hundred and forty-six dollars and sixty-three cents was paid in Old Age Pensions. For this same period, claims were rendered on six hundred and sixty cases, and recoveries totalling three hundred and thirty-seven thousand, four hundred and thirty dollars and four cents were made from four hundred and sixty estates. It is significant to note the recoveries represent less than one per cent of the total expenditure for the period.

HOUSE OF COMMONS

CANADA

April 28th, 1950.

W. A. GOODFELLOW, Esq., M.L.A.,
Minister of Public Welfare,
Parliament Buildings,
Toronto, Ontario.

Dear Mr. Goodfellow,

I am very grateful to you for your letter of April 25th and the accompanying memorandum in both of which you give your views on certain desirable changes in the Old Age Pensions Act.

Your letter and memorandum are being circulated to members of the Joint Parliamentary Committee on Old Age Security in order that the opinions you expressed may be fully studied. I know the members of the Committee would wish me to thank you for making your views known to them. You may be certain that considerable weight will be placed on your representations in view of your unique position in relation to the actual administration of the Old Age Pensions plan.

On behalf of the members of the Committee may I express our deep appreciation of your very kind offer to have us visit your Department in order to observe the actual administration of the present pension plan.

Yours very truly,

(Sgd.) JEAN LESAGE.

JEAN LESAGE, M.P.

*Chairman,
Joint Parliamentary Committee
on Old Age Security.*

MANITOBA

DEPARTMENT OF HEALTH AND PUBLIC WELFARE

OFFICE OF THE MINISTER

WINNIPEG

May 1st, 1950.

Mr. R. ARSENAULT,
Clerk of the Joint Committee
of the Senate and the House
of Commons on Old Age Security,
Ottawa, Ontario.

Dear Mr. Arsenault:

I acknowledge your letter of April 6th in which you inquire if the Government of Manitoba wishes to furnish your Committee with information or a statement of our views with respect to the matters which are under consideration by your Committee.

In this connection, I may advise that, due to the Legislative Assembly having been in session up until the 22nd of April, I have not had any time to give consideration to a statement of views which we may wish to present at a later date.

However, I may advise you that the matter of Old Age Pensions was the subject of some considerable discussion during the recent session of our Legislative Assembly. Under date of March 9th, 1950, the following Resolution was approved by the Assembly:

That: Whereas the present Federal Provincial Old Age Pensions Plan is not wholly satisfactory;

And Whereas the Speech from the Throne mentions that a Federal-Provincial Conference has been called for the autumn of this year to consider all problems of concern to the Federal Government and the Governments of the Provinces;

Therefore be it resolved that this House request the Government of Manitoba to

First, strongly recommend at the forthcoming Federal-Provincial Conference that the Federal Government should introduce a contributory Old Age Pension Plan in Canada which plan should provide adequate assistance to the aged without a Means Test;

Second, request the Federal Government to immediately make operative and effective the proposals it made at the 1945 Dominion-Provincial Conference whereby it offered to assume full financial responsibility for Old Age Pensions and to provide for Social Assistance for other age groups.

I think you can take it for granted, in view of the fact that the above legislation was introduced by myself as Minister of Health and Public Welfare, that it represents the considered opinion of the Government on the overall problem of Old Age and Blind Persons Pension, but it does not go into detail, which would be difficult for us to do as we have not available the detailed statistics which would be necessary. There are many aspects of the administration of Old Age Pensions as presently constituted, in regard to which we would like to make representation, but I assume your Committee is concerned with basic general principles rather than with details of administration. If you do intend to consider matters of administration, please advise and we would

write you at once in regard to those points. If you are considering only basic and broad principles, you might also advise me if you wish us to enlarge on the resolution of which copy is enclosed herewith.

Yours truly,

(Sgd) IVAN SCHULTZ.

Ivan Schultz,
Minister of Health and Public Welfare.

OTTAWA, May 4, 1950.

The Honourable Ivan Schultz, M.L.A.,
Minister of Health and Public Welfare,
Winnipeg, Manitoba.

Dear Mr. Schultz,

Thank you for your letter of May 1st embodying a resolution approved by the Legislative Assembly with respect to old age pensions. I am bringing your letter to the attention of the Committee at tomorrow's meeting.

I know that the Committee would be very much interested in having your comments with regard to administration, particularly as a number of the other provinces have already made representations on this aspect of the subject.

Yours very truly,

(Sgd) JEAN LESAGE.

JEAN LESAGE, M.P.,

*Chairman,
Joint Parliamentary Committee
on Old Age Security.*

SASKATCHEWAN

MINISTER OF SOCIAL WELFARE AND REHABILITATION

REGINA, Saskatchewan,

April 28, 1950.

Mr. R. Arsenault,
Clerk, Joint Committee of the
Senate and House of Commons,
on Old Age Security,
Ottawa, Ontario.

Dear Mr. Arsenault:

As requested in your letter of April 6th I am attaching hereto a submission to the Joint Committee of the Senate and House of Commons on Old Age Security with respect to the experience of the Department of Social Welfare and Rehabilitation of the Province of Saskatchewan in the administration of old age pensions.

It is to be regretted that such a short time was provided to my department to prepare this submission, which in my opinion should have been given a good deal more study.

I have noticed in reading the submissions of the Committee that an opportunity may be given to some of the organizations making submissions to be heard following the official submissions in writing of such bodies. There are statements made by certain members of the Parliamentary Committee as recorded in the minutes and proceedings and evidence that are not in accordance with

the facts and an opportunity should be given to Departments of Provincial Governments concerned to refute them and to present in greater detail our proposals for more adequate and equitable pensions. I trust therefore that representatives of my Department will be given an opportunity to appear before the committee in due course.

Yours sincerely,

(Sgd) JOHN H. STURDY,
JOHN H. STURDY

Minister.

SUBMISSION TO THE JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF
COMMONS ON OLD AGE SECURITY BY THE DEPARTMENT OF SOCIAL WELFARE
AND REHABILITATION OF THE PROVINCE OF SASKATCHEWAN.

The Saskatchewan Government entered into an agreement with the Federal Government on May 9, 1928, for the purpose of paying Old Age Pensions in Saskatchewan to those persons who, having reached the age of 70 years, were unable to meet their living requirements. It was estimated that the number of persons who in 1921 had reached the age of 70 years in Saskatchewan was 8,822 persons. The estimate for 1928 of number of persons aged 70 or over was 10,145 and the estimated number of persons who would be eligible under the provisions of the Act totalled 3,548.

During the first year that the Act was in force in Saskatchewan, some 5,620 persons applied for pension benefits and 3,343 were in pay by the end of the twelve-month period. These figures steadily increased until today there are approximately 17,000 persons in Saskatchewan who are receiving the benefits provided under the Act. The percentage of persons over 70 years drawing pensions has varied during the 22 years since the inception of pension payments in Saskatchewan, dropping during the war years and good crop years and increasing during drought periods and as restrictions were modified and allowable income increased, until today forty-six per cent of the population over 70 years of age in Saskatchewan are in receipt of benefits under the Act.

In the early administration of the Old Age Pension Act, many interpretations of procedure to be followed in determining eligibility were evident. Proof of age was at times accepted by means of an affidavit, not only taken by the pensioner himself in some cases, but by persons who could not have known the facts but merely making statements based on hearsay. Naturalization was a requirement that debarred many persons even though such persons had all other qualifications. This requirement fortunately, was dropped after about 16 years of the coming into force of the Act.

Proof of age has always created a problem, as many persons born in Canada and the United States of America could not procure birth certificates in view of the lack of compulsory registration of birth. Many immigrants from European countries could not secure information from Birth Records due to the destruction of such records in the First World War. It is almost impossible now to secure any evidence of birth from Europe. Immigration records have been helpful but too often aged persons cannot recall sufficient data to enable proper searches of such records. Likewise Census Records have proven very helpful but over a period of years there is evidence to indicate that proper care on the part of Census-takers to obtain true facts was not always the rule. Further, such Census Records are not open to the Pension Authority except for such requests covering data taken 30 years back. Some help could be gained if Census Records could be searched for a period not longer than 10 years back.

Proof of residence is not too great a problem but does in some cases create hardship.

Transfers of real and personal property by applicants and by pensioners which must be considered as having been made for the purpose of qualifying for pension create many administrative problems, more particularly if such transfers involve farm property. Many instances have occurred in the administration here where a transfer of farm property, involving only one quarter section of land, probably valued at less than \$2,000.00 would make an applicant eligible insofar as income was concerned, whereas previous returns from this land gave that same applicant an annual income much greater than the Act permitted. Usually such transfer is made just prior to the submission of an application for benefits and investigation usually reveals that a son or daughter received the property and such transfer was made for the purpose of reimbursing the son or daughter, as the case may be, for performing services on the farm for which no payment of wages had been made. The time such services were performed was usually during the period the son or daughter would normally stay at home prior to taking his or her place in the community as an adult.

The application of the means-test in an agricultural province is a problem which involves large field staff and office staff if the job is to be properly completed and eligibility established from year to year as required by the regulations.

The field and office staff must have full knowledge of the following facts:

1. Prices of various types of grain at any given market point in Saskatchewan.
2. Number of bushels of each grain required to be held over yearly for spring seeding.
3. Appropriate cost of seeding operations, harvesting, summerfallowing, farm labour and all incidental costs necessary to the production of revenue from farming operations.
4. Proper share of crops under lease agreements.
5. Land values.
6. Instruments registered against properties, such as mortgages, liens, caveats, judgments, tax enforcements, long term leases, etc.
7. Market value of livestock, poultry, butter, eggs, garden produce.
8. Value of farm produce reserved for own use.
9. Equitable rental values of urban dwellings.
10. Equitable revenue from rooming and boarding house ventures.
11. Market values of bonds, stocks, shares, debentures, equity in agreements for sale.
12. Value of foreign bonds and shares.
13. Procedure to be followed in determining value of estates.
14. Law governing estates, proper distribution of estates of intestates.
15. Succession duty requirements.
16. Benefits available under Unemployment Insurance Act.
17. Benefits available under Prairie Farm Assistance Act.
18. Benefits available from Canadian Wheat Board Participation Certificates.
19. Hail Insurance benefits.

Reference should be made to changing economic conditions in this province. From 1928 until the late thirties, continuous drought conditions prevailed and numerous persons with large farm holdings became eligible due to crop failures. From 1939 on, conditions in agriculture steadily improved and many pensioners were found ineligible for benefits under the Act. Many found employment during the war years and others received dependents' allowance through sons or daughters serving in the Armed Forces. The number of pensioners

dropped to a very low peak in 1943 and 1944, and began to rise from that period on. However, assessing their eligibility became a tedious problem caused through changing prices for livestock and grains.

The quota system of marketing grain in the years of 1940 to 1946 meant that numerous pensioners could not dispose of their grains when harvested and were obliged to hold it in storage until elevator space permitted sale. This meant that a continuous check was needed to determine annual income and eligibility.

The Prairie Farm Assistance Act became operative in 1939-40 and farmers in certain drought areas became eligible for assistance under this Act. Payments under the plan varied in accordance with drought areas and the extent of crop failure. Payments ranged from a few dollars up to \$500 and were made each year to those who qualified for this assistance. The recipient of this aid usually spent the money to pay operating expenses on the farm. However, the Federal Government's ruling did not permit the pension authority to allow any farm operating expenses as a charge against such payments resulting in many overpayments of pensions due to excessive income calculated under this ruling, usually at a time which found the pensioners with no funds to meet their everyday living expenses. This province has assumed the financial responsibility for such overpayments.

In the later 1940's, the Canadian Wheat Board began making payments to grain growers on grain marketed through the Board and representing a distribution of the surplus funds made available by a difference between initial payments when grain was delivered and the returns from the final sales. An example of these payments might be more satisfactorily explained if we review the year 1949 when a payment of approximately 20c. a bushel was made on all grain marketed during the years 1945, 1946, 1947 and 1948. Thus large payments were received by many pensioners and as it was all considered income in the year in which it was received, further cancellations and numerous adjustments were necessary.

The farm pensioner usually receives his income in a bulk sum after harvest and with severe weather conditions prevailing on the prairies in the winter months, many pensioners cannot be reached until spring opens up and travel is possible. This results in reports of income not reaching the pension authority until well after the farm returns are received and usually spent and necessary cancellations of pensions at such a late date causes hardship to those persons with no relief in sight until another crop is harvested.

In a number of cases, farm pensioners have mortgages against their property and usually the Mortgage Company holds a one-third share crop repayment agreement. Where the pensioner, due to advanced age, must lease his land to someone, he must turn over two-thirds to the renter and one-third to the Mortgage Company. Thus the actual owner of the land, while repaying his debt, finds himself with no actual income from this source, yet the pension authority may not allow payments made on principal of mortgages as deductible expenditure. This results in cases where a pensioner is obliged by agreement to turn over one-third of crop proceeds to satisfy a mortgage, two-thirds to the renter, and on the other hand, be assessed with an income equivalent to the principal payment so made on a mortgage.

During the depression, a new low was experienced in the market values of grains and other farm produce. Eggs were returning the producer as little as 15 cents a dozen. Grade one wheat, 50 cents a bushel with corresponding low prices for coarse grains. Butter sold for 15 to 20 cents a pound and livestock prices as low as 3 to 4 cents a pound. Production was at a very low peak due to drought conditions prevailing in Saskatchewan. With the return to more normal productive conditions and developments resulting from the Second World War,

prices for grain and other farm commodities started on the upward swing and farmers began to receive higher prices, wheat returning them over \$1.50 per bushel, eggs, 40 to 50 cents per dozen, butter and milk reaching a new high and livestock prices increased by as much as 500 per cent. Those pensioners interested in farming activities began to reap the benefits of rising prices and a higher level of production. Annual farm income climbed and partial pensions were granted in numerous cases.

Previous to 1944 the maximum allowable income was \$365.00 per year, from 1944 to 1947 allowable income (including pension) was \$425.00 per annum and even with the increase in this allowable income to \$600.00 per annum for single persons in 1947, it can readily be seen that even a few hundred bushels of grain would soon produce an income equal to the allowable amount.

Employment was available to many pensioners due to improved economic conditions. Building programs increased and non-farming pensioners who had a skill or trade found ready employment at high wages, creating a situation whereby a few months work a year would produce a higher annual income than permissible under the Act.

Severe financial stress exists when couples without the means to meet their maintenance requirements are obliged to exist on one pension or to seek additional assistance through the medium of relief. When a man at 70 qualifies for a pension, he may have a wife in the age group 50 to 69 years. This woman is not qualified to receive consideration under the Act except where there is outside income and the result is that the husband draws an old age pension and an attempt is made to exist on this sum with the alternative of appealing to local municipalities for relief. Many older persons feel that there is a stigma attached to acceptance of relief and refuse to make an appeal for additional assistance through those channels.

The assessment of equitable value of shelter to pensioners owning places of residence presents a controversial problem. People who have lived frugally and managed to acquire a roof over their heads, find themselves in the position of not only having to pay taxes and keep the premises in repair, but to be further burdened by an assumed income which has an adverse effect on their eligibility.

Contributions from charitable organizations or members of the family are also considered as income. This form of income is not a guaranteed source of revenue but does provide the pensioners, on occasions, with an opportunity of purchasing much needed clothing or to make an occasional visit to relatives. However, when such contributions reach the point where pensions must be reduced, very severe criticism arises and is well directed as with the present high cost of living and the low allowable income there is little if any surplus funds in the pensioners' possession to purchase decent clothing or to visit relatives.

The rigid provisions of annuity income assessments also create hardship. At present, unless the funds are used for medical costs or funeral expenses, no revision of the assessed income can be made. In Saskatchewan, where pensioners and dependents have the benefit of free medical services, it becomes almost impossible to reduce the personal assets of a pensioner by these expenses. Time and again older persons use their funds to cover expenses of a legitimate nature and eventually exhaust their personal assets but find they have an annuity calculated as income which debars them from full pension. In most cases, the pensioners use personal assets to supplement their pensions due to high food clothing and rent costs, and yet no provision is made to reduce the personal assets accordingly and to recalculate annuities.

Recovery of overpayments, either by suspension of pension payments or monthly deductions from pension cheques, creates many hardships for the recipient. Usually before the pension authority is aware of surplus earnings or income, the pensioner has used the funds for purchase of clothing or extensive repairs or remodelling of a home and when suspension or reduction of pension

payments takes place he finds himself in a very difficult position and in many cases becomes a burden on his local area. While every opportunity is taken to explain the provisions of the Act and to point out that all income should be immediately reported, nevertheless, we must agree that older people are apt to forget and while the onus rests with the pensioner to advise the pension authority of any change in his circumstances, experience proves that he very seldom does so.

Recovery from estates of pensioners is again a subject of severe criticism. Some people believe that the pension is simply a loan and if any estate exists upon death, the estate or members of the family will be called upon to repay the pension authority. It is felt that as long as recoveries are made from estates, transfers of assets will be a general rule, as it is obvious that by transferring assets the pensioner will have no estate from which recovery can be made.

Inter-provincial charge-backs create quite an administrative problem. Pensioners take up permanent residence in another province, yet year after year the granting province must continue to bear the provincial share of these pensions while it is obvious that the funds provided through the pension payments are expended in the new province of residence and certainly do not in any way benefit the province responsible for the payment thereof. It is also noted that when a pensioner takes up residence in a new province, any accumulated wealth is taken to the new place of residence.

No recognition is made with regard to extra income where parents have a dependent child or children. In many cases, a crippled son or daughter remains the responsibility of a parent and the cost of their maintenance must be included in the family budget. While it might be claimed that such dependents are a responsibility of the local area, nevertheless, funds either in the form of public assistance or from the parents' income must be made available to such person.

This resume of administrative experience is given in general terms and does not refer to specific cases. Many hardships are evident due to the rigid method in determining eligibility with little or no discretion left to the pension authority, even though evidence of need is paramount. At present, the pension files are subject to audits conducted by provincial officials, members of the Staff of the Department of National Health and Welfare and the Auditor General's Staff. Even the slightest overpayment must be recovered regardless of the pensioner's ability to live on a reduced amount during the process of recovery, and it is only too evident that the present maximum award of \$40.00 a month does not meet living requirements.

HOUSE OF COMMONS

CANADA

OTTAWA, April 29th, 1950.

Honourable John H. STURDY, M.L.A.,
Minister of Social Welfare and Rehabilitation,
Regina, Saskatchewan.

Dear Mr. Sturdy,

Mr. Arsenault, Clerk of the Joint Parliamentary Committee on Old Age Security, has referred to me your letter of April 28th and the accompanying brief.

On behalf of the members of the Committee I would like to thank you very much for letting us have the benefit of your views on this subject. It is realized that the provincial Welfare Ministers are in a unique position to comment on the present plan in view of their close association with its administration.

It may be that the steering committee of our group may wish to give the Committee the opportunity of hearing a representative of your Department. If such is the case I shall write you about May 8th to suggest a suitable date.

Yours very truly,

(Sgd.) Jean Lesage.
JEAN LESAGE, M.P.,
*Chairman,
Joint Parliamentary Committee
on Old Age Security.*

ALBERTA

DEPARTMENT OF PUBLIC WELFARE
OFFICE OF THE DEPUTY MINISTER

EDMONTON, Alberta,
April 28th, 1950

Dear Sir:

We acknowledge receipt of your letter of the 6th instant to the Minister, the Honourable W. W. Cross, M.D., inquiring whether this Department wish to furnish the Committee with any information with respect to old age security.

A matter that has occurred to us is the question of providing for old age pensioners who are being maintained in homes and institutions. According to our records, the average cost of keeping these people in institutions amounts to approximately \$90.00 per month and in addition to this the pensioner is allowed the sum of \$5.00 for his personal use, making a total altogether of \$95.00 per month. His combined old age pension of \$40.00 and provincial supplementary allowance of \$10.00 per month is paid to the institution, and the balance, amounting to \$45.00, is paid by the municipality in which residence had been established. The municipality in turn receives a grant up to an amount of fifty per cent of the cost, directly from the Province. From this it will be seen that of the total cost involved, the Dominion share amounts to \$30.00, the provincial share \$42.50, the municipal share \$22.50.

In addition to this, the Province provides hospitalization and treatment services at its own expense to all recipients of the old age pension and their dependents.

We are of the opinion that this is a type of case that should be considered by your Committee.

Yours truly,

(Sgd.) A. H. MILLER.
A. H. Miller,
Deputy Minister.

Mr. R. Arsenault,
Clerk of the Committee,
House of Commons,
OTTAWA, Ont.

CANADA

HOUSE OF COMMONS

OTTAWA, May 3, 1950.

A. H. Miller, Esq.,
Deputy Minister of Public Welfare,
Parliament Buildings,
Edmonton, Alberta.

Dear Mr. Miller,

Mr. Arsenault, Clerk of the Joint Parliamentary Committee on Old Age Security, has referred to me your letter of April 28th.

Your letter raises the problem of financial provision for Old Age Pensioners maintained in homes and institutions and, in order that the matter may be brought fully to the attention of the Committee, I am having copies of your letter made for circulation to the members.

May I express to you our deep appreciation for bringing to our attention a problem which might not otherwise have been considered.

Yours very truly,

(Sgd.) JEAN LESAGE.

Jean Lesage, M.P.,

Chairman

*Joint Parliamentary Committee
on Old Age Security.*

BRITISH COLUMBIA

DEPARTMENT OF HEALTH AND WELFARE

Office Of The
Deputy Minister of Welfare
Victoria

April 24, 1950.

Mr. R. Arsenault,
Clerk of the Committee,
Committees and Private Legislation,
House of Commons,
Ottawa, Ontario.

Dear Mr. Arsenault:

With reference to your letter of the 6th instant to Honourable Geo. S. Pearson, Minister of Health and Welfare, asking if the Department wishes to furnish the Joint Committee of the Senate and House of Commons with any information with regard to the study of Old Age Security measures, I regret the delay in replying.

It was my hope that some direction could be obtained by this date, but both our Minister, Honourable Mr. Pearson, and the Premier, Honourable Byron I. Johnson, have been absent all month because of illness and it is not expected that either will be returning to office before the end of April.

The Chairman, Old-age Pension Board, Vancouver, has been co-operating with the Canadian Welfare Council, Ottawa, and the Social Welfare Branch has been in communication with the Department of National Health and Welfare

in respect to submission of information that might be helpful in the preparation of the presentations to be made by the Canadian Welfare Council and the Department of National Health and Welfare. In view of this, it is our feeling that it would be a duplication to make a submission directly to the Committee, but I am suggesting to the Minister's Secretary that the matter be brought to Honourable Mr. Pearson's attention on his return to Office in case he may wish to go further into the matter.

Yours very truly,

(Sgd.) E. W. Griffith.

E. W. GRIFFITH,

Deputy Minister of Welfare.

HOUSE OF COMMONS

CANADA

OTTAWA, April 28th, 1950.

E. W. Griffith, Esq.,
Deputy Minister of Welfare,
Department of Health and Welfare,
Victoria, B.C.
Dear Mr. Griffith,

Mr. Arsenault, Clerk of the Joint Parliamentary Committee on Old Age Security, has brought to my attention your letter of April 24th in which you point out that it has not been possible for the Honourable Mr. Johnson or your Minister to make representations on the subject in view of their illness. I note, however, that the views of your Government and Department may be incorporated with those of the Canadian Welfare Council and the Department of National Health and Welfare.

Should your Premier or the Honourable Mr. Pearson wish at a later date to give the Committee the benefit of their observations, the members of the Committee will be more than pleased to have them.

Yours very truly,

(Sgd.) JEAN LESAGE.

Jean Lesage, M.P.,

Chairman,

Joint Parliamentary Committee
on Old Age Security.

YUKON TERRITORY

C O P Y

ARMY MESSAGE

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Fm J E GIBBEN DAWSON YT

To R A GIBSON DIRECTOR NORTHERN ADMIN DEPT R&D OTT
GRNC

YUKON COUNCIL HAVE REQUESTED THAT THE FOLLOWING
MESSAGE BE TRANSMITTED TO THE JOINT COMMITTEE
OF THE SENATE AND THE HOUSE OF COMMONS ON

OLD AGE SECURITY RELATIVE TO THE STUDY OF THE MEANS TEST QUOTE THE COUNCIL OF THE YUKON TERRITORY NOW IN SESSION REQUEST FULL CONSIDERATION OF A MEMORIAL SUBMITTED FROM THIS COUNCIL ON OCTOBER TWENTY-SECOND NINETEEN HUNDRED FORTY NINE AND FURTHER THAT DUE TO THE ABNORMALLY HIGH COST OF LIVING IN YUKON TERRITORY THAT INsofar AS THE PROVISIONS OF THE OLD AGE PENSION ACT APPLY EXEMPTION OF INCOME SO FAR AS THIS TERRITORY IS CONCERNED BE INCREASED FROM ONE HUNDRED AND TWENTY DOLLARS TO THREE HUNDRED AND SIXTY DOLLARS PER ANNUM UNQUOTE

06/2355Z MAY JCEWC

To His Excellency the Governor-in-Council:

The Memorial of the Council of the Yukon Territory
Humbly Sets Forth:

BE IT RESOLVED, by the Yukon Council now in session, that His Excellency the Governor General in Council be memorialized as follows:

WHEREAS, there has been a very sharp increase in the cost of living since the end of the war;

AND WHEREAS, this increase has imposed great hardships upon people with low fixed incomes;

AND WHEREAS, those in receipt of the Old Age Pension have been given no pension increase commensurate with the increased cost of living;

AND WHEREAS, the means test not only prevents some recipients from receiving the full amount of the pension, but also prevents old age pensioners in general from supplementing their pension to any appreciable extent by outside earnings;

THEREFORE, we the Territorial Council of the Yukon Territory appeal to the Government of the Dominion of Canada to increase the exemption from \$120 to \$360 per annum under means test provided under the Old Age Pensions Act at the earliest possible moment.

Passed—October 24th, 1949.

(signed) W. A. Wardrop,
Clerk of the Council.

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Canada Old Age Security, St. Catharines, 1950
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SESSION 1950



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JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 14

WEDNESDAY, MAY 10, 1950

(Afternoon sitting only)

WITNESSES

- Mr. J. H. Brace, Chairman, Executive Council of The Canadian Chamber of Commerce, Montreal, P.Q.
Mr. J. G. Crean, Director, Canadian Chamber of Commerce, and Member of Chamber's Committee on Pensions, Montreal, P.Q.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1950



MINUTES OF PROCEEDINGS

WEDNESDAY, May 11, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 4.00 p.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Doone, Farquhar, Ferland, Fogo, Horner, Hurtubise.

The House of Commons: Messrs. Ashbourne, Benidickson, Beyerstein, Blair, Brooks, Brown (*Essex West*), Cannon, Corry, Cote (*Verdun-La Salle*), Courtemanche, Croll, Ferrie, Fleming, Laing, MacInnis, Picard, Robertson, Shaw, Smith (*Queens-Shelburne*), Weaver, Welbourn.

Hon. Paul Martin, Minister of National Health and Welfare, was also present.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare; Mr. J. H. Brace, Chairman, Executive Council of The Canadian Chamber of Commerce, Mr. J. G. Crean, Director, The Canadian Chamber of Commerce and Member of Chamber's Committee on Pensions, and Mr. D. L. Morrell, General Manager, Canadian Chamber of Commerce.

Mr. Brace made a general statement, pointing out that their submission was being presented in the name of the Executive Council and not in the name of The Canadian Chamber of Commerce.

Mr. Crean was called. He presented a brief on behalf of The Executive Council of The Canadian Chamber of Commerce. It was ordered that the brief be taken as read and printed in this day's Minutes of Evidence.

Examination of Mr. Crean and Mr. Brace followed.

At 6.00 p.m., witnesses retired and the Committee adjourned until Thursday, May 11th, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

WEDNESDAY, May 10, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 4.00 p.m. Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. J. Lesage presided.

The CHAIRMAN: Order, gentlemen. This afternoon we have with us three representatives from the executive council of the Canadian Chamber of Commerce. They are: Mr. J. H. Brace, chairman of the executive council; Mr. J. G. Crean, who will be our witness and who will answer questions put by members of the committee—Mr. Crean was a member of the special committee of the executive council of the Canadian Chamber of Commerce on this very subject; and Mr. D. L. Morrell, manager of the executive council.

I am sure I express the opinion of the members of this committee when I tell the gentlemen that we appreciate the fact that they sent us their views on the matter. We also appreciate the fact they have consented to come here and give the members of the committee their comments and explanations.

I believe that Mr. Brace first wishes to say a few words, before we get into the subject itself.

Mr. J. H. BRACE, (Chairman, Executive Council, Canadian Chamber of Commerce): Thank you, sir. I have been trying to find out how to address a committee of this sort with a joint chairman, and I certainly pay my respects to the joint chairmen and to the honourable members present.

I wish the committee to be clear on who is responsible for the submission of this brief. The Canadian Chamber of Commerce consists of some 640 local chambers of commerce or local boards of trade spread out across the country from Newfoundland to Vancouver Island. In addition we have non-voting members—some 2,000 of them—corporate bodies within the country. To obtain a statement of policy or make a submission to a body such as this on behalf of the Canadian Chamber of Commerce would have necessitated the preparation of a submission, presentation of it to all local boards, local chambers, and then having a two-thirds majority vote on the proposed submission. We were not able to accomplish that in the period since we, as well as others, began to take an interest in this question of a country-wide pension plan.

As an alternative, some little time ago, the executive council which is one of the committees and really is the operating committee for the Canadian Chamber of Commerce between its annual meetings, set up within its own membership a small committee which has been very active in recent weeks to develop what they thought would be an expression of opinion of the majority of members of our chamber. After they had completed their thoughts they presented them to the executive council of the Canadian Chamber of Commerce and the submission, of which I think you have all had copies, has been approved by the executive council.

It did seem to me to be only right and proper to say that we were not able to get the concurrence of the members across the country and to do so, of necessity would have meant waiting until our annual meeting in September. I would expect that at that annual meeting this will be a subject of live concern to all

our members and I hope that through this body, if it is still active, through the minister, or through some other source, if we have additional submissions that it will be possible for us to present them.

Mr. Crean, was an active member of the committee through all its deliberations and I think he can present it to the committee much more readily than can I. I am sure that he will be in a better position to answer questions which you might have. I thank you very much for giving us this opportunity of explaining our position and I suggest that Mr. Crean move into more prominent view.

Mr. J. G. Crean, Member of the Committee on Pensions, Executive Council of Canadian Chamber of Commerce, called:

The CHAIRMAN: Mr. Crean, I am sure the members of the committee would like you to give the highlights of your brief and any supplementary explanation that you may wish to present. May I suggest that you deal with the brief in sections, so that we may take one division at a time for the purpose of questions and further comments.

The WITNESS: Mr. Chairman, and honourable gentlemen, I would like to say first of all how privileged I feel to be able to be here and meet with you this afternoon and, at the same time, to have the opportunity of discussing with you the brief of the executive council of the Canadian Chamber of Commerce.

I feel rather like the schoolboy who is going to write his first university examination. I have gone through a lot of previous papers but I do not know exactly quite what I am in for.

Mr. FLEMING: You are among friends.

The WITNESS: I think we are all in this together.

I will now tender our brief.

To the Joint Committee of the
Senate and the House of Commons
on Old Age Security.

Gentlemen:—

In presenting this submission on Pensions, the Executive Council of The Canadian Chamber of Commerce wishes to point out that due to limitations of time, the thinking of member Boards of Trade and Chambers of Commerce on this important matter has not been incorporated herein.

Accordingly, this submission is not presented in the name of The Canadian Chamber of Commerce but in the name of the Executive Council only. We respectfully request that an opportunity be granted at a later date to present a statement in the name of The Canadian Chamber of Commerce, should this be the desire of the member Boards of Trade and Chambers of Commerce. Undoubtedly, this matter will receive consideration at the Chamber's next Annual Meeting on September 12th, 13th and 14th, 1950.

Summary

This submission recognizes a growing public demand for old age pensions in some form or other and suggests, as an exploratory measure, that, if the Canadian people are prepared to make the necessary contributions, a national basic pension of \$30 per month be paid by the Federal Government out of current revenue to all Canadians of age 70 and over.

A plan of this nature means (a) the removal of any "Means Test" from the distribution of old age pensions at the Federal level, and (b) that contributions to meet the cost of such a plan be on a universal basis, that is, all citizens must contribute. No specific proposal is made as to how the required amount will be raised.

Submission

The meaning of the terms, security and welfare, have been expanding and changing under the pressure of events over the past few decades. Whatever other ends and objectives may exist in our present society these terms as they are now loosely used rank high in importance in the minds of many citizens.

In facing the issues involved in any consideration of social welfare, the Executive Council of The Canadian Chamber of Commerce recognizes that the welfare of the people, broadly defined, has always been an important objective in a democratic society. Our aim is to determine the method which will best achieve the maximum welfare in the light of present conditions.

At the present stage of exploration and discussion it is only to be expected that certain questions yet remain unanswered—questions which business men from coast to coast should consider carefully in order to take a position on specific proposals that come within the omnibus heading "security". For example, there is the fact that "peace" in its nineteenth century connotation cannot now be assumed. As military preparedness is of great significance, and if federal outlays for this purpose are of an expending character, then having regard for the capacity of the Canadian economy, is *military security* compatible with nationally finance *domestic security*?

There are so many diversified elements making up the over-all term, "business", that difficulty emerges in stating a detailed position. However, it is the view of the Council that a general position may be taken concerning the current proposals. It might be pointed out that in technical discussions the term "welfare" is an all-inclusive term which embraces pensions, unemployment assistance, child care, health programs and the like. In dealing with one sub-division of the over-all heading it must be fully recognized that the position of the Council is not prejudiced nor do we imply approval or disapproval at this stage of other proposals falling within the heading of "welfare" that are of no present concern. The fact, however, that the current interpretation of welfare is, from a financial point of view, a redistributive process on the part of both federal and provincial governments, draws attention to the sources of revenue, their impact on different classes of the community contributing to the revenues and the limited aspects of any redistributive program.

Broadly speaking, there are two general methods of providing for pensions. The first is the one usually associated with the term, namely, a form of deferring current consumption, and has implicit in it a funding arrangement. The other type of "pension" suggests payment to some specific group out of current revenue or income.

Each of these two classifications raises implications which must be taken into account. In the first case, a person included or subscribing to such a scheme sets aside a portion of current income to assure its use at a later date. This procedure in its wide application, reduces current spending for consumption goods but does allow for the accumulation of funds which may be applied to the creation of capital which is, of course, necessary to an expanding economy. Any plan involving a funding arrangement, particularly when such a plan includes a contributory scheme operated by the Government under which an individual's contributions are credited to his account, is open to the danger that administrative costs will be high and that a large fund might be uneconomically accumulated. "Pay as you go" seems more realistic under current conditions.

In the second classification where pensions are paid out of current income an example will indicate the implication. If pensions are increased suddenly then the pensioners would have a command over the national stock-pile of goods and services to a far greater extent than before the increase. By the same token there would be less available for others. It follows that the current labour force, in order to maintain the same standard of purchasing and spending, must produce more than they have done hitherto in order to remain at the same

position. It might be noted here that this is not in accordance with the current trend towards shorter hours. The cost of any pension plan must be borne by a labour force which is growing smaller in relation to the numbers of those who have passed the peak of their productive capacity.

There are a number of arguments for and against government intervention in the problem of old age pensions and the like. This raises the fundamental question of the role of government in a free society. This is a topic which the Council does not deal with at this stage but reference is made to the Chamber's policy as approved at the 20th Annual Meeting.

In an official statement under the heading, "Freedom of Enterprise", the following policy is stated: "Social security must not become an end in itself. We must beware of looking to the State to provide security to the extent that the individual loses incentive to provide for himself...The Chamber recognizes the responsibility of the individual in a free society to exert every effort to solve his own economic problems and deplores the growing tendency to look to government for help in every difficulty. Approval of the principles of social welfare does not mean that it is the business of the State to provide those services which are properly the responsibility of the individual."*

Dealing specifically with existing pension programs, it is possible to examine them in four particular groups. The Council notes four channels of procedure for the solution of the problem of providing some measure of security against the major hazards of life. These four channels are not by any means mutually exclusive and they are:

1. Individual savings, which may be facilitated by personal insurance plans of a character appropriate to the particular circumstances.
2. Savings, generally in the form of insurance or pensions plans, in which the individual is assisted by his employer; sometimes the employer may bear the entire cost.
3. Voluntary welfare and assistance services maintained by private donation, sometimes with the financial co-operation of the government.
4. Government assistance, i.e., state financed plans to provide for the individual and his family.

Of these groups the Council is specifically interested in the fourth point, namely, government assistance, that is, state financed plans to provide current income for the individual and his family.

The Executive Council of The Canadian Chamber of Commerce reiterates its belief that every effort should be made to encourage thrift and personal incentive and that no step should be taken which would discourage these virtues. The Council is, therefore, gravely concerned about the present high level of taxation.

At the same time, the Council realizes that if there is a general desire for a national pension, then ways and means must be explored for its implementation. In the light of the above, the Council believes that the amount necessary to meet the cost of any government pension plan should be obtained by means of a universal contribution specifically designated for the purpose. Also it must be recognized that an item of expenditure of this character has a tendency to assume a fixed or rigid position in the governmental expenditure pattern in the country.

Without complete knowledge as to the amount Canadians are prepared to contribute to a plan of this nature, the Council suggests, as an exploratory measure, that a national pension of \$30.00 per month be paid by the Federal

*"The Platform of the Canadian Chamber of Commerce, 1949-50", pages 13 and 14.

Government out of current revenue, raised specifically for this purpose, to *all* Canadians of age 70 and over.* This will provide a basic pension of \$30.00 per month, to every Canadian of 70 or over, which can then be supplemented by private enterprise and thrift. The national pension is simply a basic foundation.

The Minister of National Health and Welfare has indicated that in 1951 there would be an estimated population of 674,500 age 70 or over, and that on a universal basis, free of "Means Test", the cost of a pension of \$30.00 per month would amount to \$242,820,000. The Federal Government expended in the year 1948-49 on Old Age pensions (including pensions to blind persons) \$66,764,000. It is evident, therefore, that it will be necessary to disburse an additional \$175,000,000 on this basis for the year 1951. It must be considered also that this amount will increase rather than decrease over the years.

In considering revenue raising devices for this purpose, we must not overlook the fact that when the number of those benefiting exceeds the numbers of those who pay, then political pressure for continuation and increase of the benefits grows irresistible. An intolerable position of this kind must be avoided.

The payment of the basic minimum by the Federal Government does not necessarily exclude the possibility of provincial governments supplementing this pension.

With regard to the suggestion outlined above, there are two points that merit attention and concerning which a position is taken. These are noted under appropriate headings below.

Means Test

The suggested program provides for the abolition of the "Means Test" as it is considered that the "Means Test" is discriminatory and penalizes the thrifty. It is anticipated that there would be recovered some portion of the old age pension to those in high income brackets through income taxation. The citizens of Canada have already accepted in principle the payment of pensions to those with limited incomes or no incomes at all. The elimination of the "Means Test" would undoubtedly mean that many elderly people would endeavour to continue making a contribution to the productive capacity of the country. There is already a precedent for the payment of benefits from the state without "Means Test" in the distribution of benefits under the "Family Allowances Act". Moreover, the adoption of a "Means Test" is a constant temptation to citizens to make false declarations of income in order to secure the maximum benefits.

Charges

It is expedient to make it apparent to each citizen that a share of his annual contributions to the Federal Government goes towards the provision of annual welfare benefits. This should provide, to some extent, an automatic check on demands for increased social welfare beyond the willingness and capacity of the citizen to pay.

Respectfully submitted,

J. H. BRACE,

Chairman, Executive Council, The Canadian Chamber of Commerce.

*The suggested program calls for an age limit of 70 as presently in force. The reasons for not calling for a lowering of this age limit are (a) the cost of pensions mounts alarmingly below age 70. (According to the Minister of Health and Welfare, there will be in 1951, 1,101,400 people age 65 or over in Canada as compared to 674,500 age 70 and over. The difference in the cost of a \$30.00 pension would be approximately \$154,000,000) (b) as our life expectancy increases and as our population ages it will be increasingly necessary to keep our senior citizens active in productive capacities. Nothing should be done to lessen the incentives to those between the ages of 65 and 70 who are able to continue as productive members of society.

The WITNESS: I would start, as Mr. Lesage has asked with the first section and say that there were two fundamental backgrounds which we felt had to be taken into consideration by every Canadian citizen and certainly by any Canadian government. The first was in connection with military security as opposed to welfare security. If I use the term welfare I think you will note from the brief that we have admitted we are not quite sure that we know what welfare means. I think you will all agree that welfare means a lot of different things to a lot of different people. I quite frankly am using it in the rather loose sense. I would hate to have any one ask me exactly what welfare means.

First of all, as I say, there is the matter of military security. I do not even need to highlight the problems which we have with us in the world today but I think there is one point which is very germane. At the present time the Americans are spending something between \$12 billion and \$15 billion on armaments per year. We are spending, I believe in our present budget, somewhere in the neighbourhood of \$450 million which, on a per capita basis, does not rank anywhere near what the Americans are doing.

That seemed to make us think that in any welfare scheme that was instituted in the country that we had to take into account the possibility, and unfortunately we did not feel it was a very remote possibility, that our defence expenditures were going to be materially increased in the not too distant future.

The next point was that roughly speaking this country is dependent upon foreign trade to the extent of 33 per cent of our national income, or perhaps a little bit less than that. We have no hold over our foreign customers to make them buy Canadian merchandise other than the fact that we hope Canadian merchandise is priced right, the quality is right, and that the dollars are available to pay for them. Therefore we felt that quite apart from any influence we, as Canadians, might have, the paramount influence will be from buyers of our products who provide us with roughly one-third of our national income.

Those were the two fundamental backgrounds we tried to keep in mind as we were going along and doing some thinking on this subject.

The next section to which I would like to pass has to do with pensions as a whole. I think it is fair to say that in a welfare scheme such as this, the pension is in itself, from a financial aspect, a redistribution of the national income if you can look at the national income in a period of one year.

Now there are two types of pensions. In one an individual, or a group of individuals, puts so much money aside. Over a period of years, a fund which draws interest accumulates and then it is gradually used up after a certain age—generally known as the retirement age. That has some rather serious aspects when you look at it from a national viewpoint. I think I can best illustrate that by quoting a Swiss banker whom I met the other day. Switzerland I believe now has that type of national pension. The total national debt of Switzerland is quoted as being 10 billion francs. Within a period of two years they have already accumulated 400 million francs in this particular pension scheme. The gentleman was very worried, being a banker, and I think the rest of the citizens of Switzerland are going to be worried in a very indirect way, that within a matter of five to ten years that 400 million will have equalled the total national debt of Switzerland. They are going to have a very great deal of trouble finding investments for the normal accumulation of savings—life insurance premiums and so forth, if this pension plan fund builds itself up to an amount equal to the whole national debt.

The other type of pension is the one in which you have a redistribution of income taking place roughly within a given period—say one year. In other words the citizens of a country as a whole, by one means or another, lay aside so much of their "real money".

I would like to call it "real money" but I do not wish to get into a discussion about finance because I am not capable of discussing it, and you will pardon me for using the expression "real money". By laying aside that real money they can buy their means of living in later years.

Now I think we might possibly take the next section.

The CHAIRMAN: Would you prefer that members question you now?

Mr. ROBERTSON: Let him finish.

The CHAIRMAN: Very well.

The WITNESS: As you know, the Chamber of Commerce, and we of this committee, felt strongly that Canadian citizens as individuals should assume where possible their own responsibilities for taking care of their own, shall we say misfortunes—such as sickness, and for other old age and all other types of risks which we run as human beings. We felt therefore in our submission that this proposal was an exploratory one. We used the term "basic"—basic in the sense that it would not in any way destroy the sense of responsibility in the individual; that wherever possible he should take care of those types of security which he was able to do. I would like to emphasize the necessity of maintaining the sense of responsibility of the individual citizens. His own sense of responsibility, as it applies to pensions, may be exercised in three ways. There are many variations of these three ways but I think these are the fundamental three: the first is by actually going and buying an annuity policy either from the government or from an insurance company: the second is to be a member of a group which through its employer, works out a scheme whereby as members of the group they reach a certain age, they retire, and receive a certain pension; the third method is the voluntary assistance or services which are maintained, sometimes by private donations—in other words the groups which spring up automatically and I think for example of the Friendly Societies which have existed in England for a great number of years.

The final one which is the subject of our submission and which as I mentioned earlier as the basic one, was the federal old age pension scheme. Now we recognize that such a scheme necessitated annual expenditure and annual expenditures of this kind become relatively fixed and rigid portions of the expenditure pattern of the federal government.

I would hate to feel that our country would institute a welfare plan of this nature and then find it impossible to carry it out. We took that very much into consideration and as an exploratory measure we have suggested that the pension payment should be made at age seventy, to the extent, on a federal level, of \$30 per month to all Canadians. I do not need to go into the figures. You are all familiar with the very able speech the Honourable Mr. Martin gave in the House in early March—but we did feel if we were going into a federal plan of this kind that it had to rest on the basis—and this is absolutely fundamental to our brief—that the citizens of Canada should contribute as a whole to the payments that are made as pensions to the older groups in the community. We did not feel that it was our position to lay out in detail ways and means of raising the money which is to be paid over to the older age groups of this country; but we certainly had very much in mind the statement which was made by the Minister of Finance on our present budgetary situation which, I believe, is in very delicate balance at the present time. We also had in mind that any lowering of the economic health in this country would throw our present budget very much out of balance. We also had very definitely in mind that if Canadians wanted to have a pension scheme and were willing and able to pay for it, there was no reason why they should not have it. But we wanted to take this step as an exploratory measure because we knew of no one who could definitely say how much Canadians as a whole were willing and able to pay for a pension scheme. We are sorry we did not have an individual with that knowledge on our group, but we talked about it quite widely and we were not

able to find one, so we felt we had better take a very small step and see how it worked out. I am emphasizing all the way through this is a first step. We want to see how it goes and we want to see if Canadians are willing and able to pay over those contributions. I believe that if this submission is adopted we would then be playing with an expenditure of between one and two per cent of the total Canadian national income, which is quite a lot.

Now, there is one other thing which definitely stems from a universal pension plan and that is the abolition of the means test, and we feel if you are going to have a national pension plan it is not fair to continue to have a means test; and surely it is not putting Canadians in a bad position to tell them you can have what you are willing to pay for but you are going to pay for what you get. There is no magic in being able to pull the payments for pensions out of the air. I firmly believe, and I know my committee do, that it just cannot be done.

With that, Mr. Chairman, I will close my remarks. I would like to thank you for your kindness in listening to what I had to say.

The CHAIRMAN: I believe there are six points: the first point raised by Mr. Crean was on the budget, the present Canadian budget with special attention to military expenses and the income that comes from the export trade. The second point was that of a comparison between a system involving the building up of an insurance fund as against a pay-as-you-go system. The third point made by Mr. Crean was not to destroy the sense of responsibility in individual citizens, and he gave four ways of saving for the future.

The WITNESS: There are three ways.

The CHAIRMAN: Yes, three ways and the fourth way would be a basic Government pension system. The fourth point was providing a pension of \$30 at seventy years of age and in Mr. Crean's view that would be the first step, and we could then see if the people of Canada are willing and able to pay for their own pensions. The fifth point is that contributions should be paid by all Canadians. And the sixth point is the abolition of the means test. Is that a correct summary, Mr. Crean?

The WITNESS: That is right.

The CHAIRMAN: Are there any questions or comments on the first point?

Mr. CROLL: It is going to be very difficult to do. Mr. Crean is well able to look after himself. Now, suppose we wander afield and see what we can find out.

The CHAIRMAN: We discussed that question at the committee this morning and it was decided that the questions would be asked on each point at a time so we would have an orderly discussion. I am not going to be very strict about it, but I just want to have an orderly discussion.

Mr. MACINNIS: I think what was decided at this morning's meeting was that we would follow the same procedure we followed when we had the Department of National Health and Welfare witnesses: a paragraph would be read and explained and then we would ask questions on that paragraph. Instead of that being followed this afternoon the witness before us put the whole of his statement on the record and then you told us to ask questions. That makes it a little more difficult, Mr. Chairman.

The CHAIRMAN: At a certain moment I tried to stop the witness and call for questions, but I was prevented by what seemed to be the unanimous wish of the committee. I am in your hands, gentlemen.

Mr. FLEMING: I think we are getting on very well. I do not think there is any difficulty in adjusting our questions to those stages Mr. Crean has developed in his brief.

May I ask one question? Mr. Chairman, I take it that the basis of the brief which the executive council has submitted is that we are in a period now when it may be difficult to take major steps. My impression, and I would like Mr. Crean to comment on it, is that for the present we should have regard to some of the factors he mentioned in this basic step he speaks of and regard them, using the expression on page 1, as an exploratory measure—which I take it is a tentative measure—while we go on and measure the capacity and willingness of the people to pay for measures of similar security. Is that the approach of the executive committee?

The WITNESS: That is right. We do not say for one moment that this is it, and I do not think any Canadian feels that this country is not going to grow; and I mean grow, not in the number of ciphers that you put after a figure in the statistics, but grow in real wealth and real income.

Mr. FLEMING: Can you enlarge on that at all, Mr. Crean? You mentioned three factors, one is the heavy expenditures for military preparedness, the other was the delicate balance of expenditures and income in the federal treasury now, and the third was our export trade. Would you care to enlarge on that further as to how long we must think of our approach as being confined for the moment to an experiment for an interim period.

The WITNESS: I do not want to burden the question, Mr. Fleming, but my feeling would be as soon as those who are administering the Act and having to do with subsequent legislation feel that it has gone past the experimental stage. In other words, as soon as they feel that we have digested what has already been put into effect—

Mr. CROLL: Have we not digested what we have in effect at the present moment from our budgetary surplus we had from year to year and the budgetary surplus we expect next year?

The WITNESS: I would probably think you had, but the present expenditures and the present economic health of this country seem to make me feel that we may have not only a considerable drop in revenue—it is quite possible—but we might have increased expenditures on military measures in the future.

Mr. CROLL: In the future?

The WITNESS: Maybe this year.

The CHAIRMAN: You mean in the near future?

The WITNESS: Yes, in the very near future.

Mr. CROLL: We have budgeted also for this year, but you are thinking of the years immediately ahead.

The WITNESS: We have such things as supplementary estimates, from time to time.

Mr. MACINNIS: You are talking about revenue and expenditure. Do you mean to say by that that there will be a drop in the production of the goods and services which go to make up the living of the people, that the real wealth of Canada is to drop, not as you mentioned a little while ago the wealth represented by a number of ciphers at the end of a line of figures, but the real wealth of the country as computed in goods and services? Do you think there is a possibility of some drop in that?

The WITNESS: In my industry, two years ago, we were exporting at the rate of \$3 million a year.

Mr. BROWN: What industry is that?

The WITNESS: The hat and cap manufacturing industry. And right now we are exporting at the rate of not more than \$100,000.

Mr. MACINNIS: It is in that sense that you mean a drop in real wealth. That is what I mean too.

By Mr. Laing:

Q. How old is that experience, Mr. Crean?—A. That drop has taken place since 1949.

Q. Is it due to the dollar shortage?—A. Due to the dollar shortage and competition also, but mainly the lack of dollars.

Mr. MACINNIS: It is possible that we may be in a position where we have more hats and caps than we need for each individual? Would it be possible to arrange our economics so we could shift the people who cannot work making hats and caps to producing homes and food and such things as that?

The WITNESS: I think I am away out of my depth.

Mr. BROWN: Is a great deal of your loss of business due to export or local consumption?

The WITNESS: I was speaking of export, sir.

Mr. BROWN: Export, that is what I thought.

Mr. CROLL: Perhaps barter would be useful.

The WITNESS: I am trying a barter deal now but they will not play.

The CHAIRMAN: Gentlemen, we are involving ourselves in a discussion on economics.

By Mr. Croll:

Q. Just one question following what was said. I do not think the witness mentioned our contribution to military expenditures. As I recall it, our contribution to military expenditures is about 17 or 18 per cent higher than the American or maybe 30 per cent. Do those figures strike you?—A. You mean of their budget?

Q. Yes.—A. Does that American figure include their veterans' allowances, do you know?

Q. It does not include our veterans' allowances.—A. I know our figure does not, but I was wondering if the American figure did.

Q. I do not think so. I think that figure is the net—I think that figure, if I recall, is perhaps at the moment higher than any other comparable country in the western world except the United States and Great Britain. Is that right? Can you answer that question?—A. No, I am not capable of answering that question.

Mr. BROWN: In connection with page 1 of the brief, you state that if the Canadian people are prepared to make the necessary contributions, a national basic pension of \$30 a month be paid by the Canadian government out of current revenues to all who are seventy and over.

The CHAIRMAN: That is the fourth point, Mr. Brown.

Mr. BROWN: That is on the first page. I am talking about page 1 of the brief.

The CHAIRMAN: But it is a brief résumé.

The second point is the comparison between the building up of an insurance fund and the pay-as-you-go system. Mr. Crean was giving us the experience of one of his friends in Switzerland.

The WITNESS: That is correct.

By Hon. Mr. Fogo:

Q. What is the suggestion of the Chamber of Commerce? Is it for a pay-as-you-go system or for a funded system? Have you any suggestions to make about that?—A. This is not a submission by the chambers of commerce, it is only a submission by the executive council. That fact is very

important. I know it is difficult for us—I am coming to your question, Senator Fogo—it is difficult for us because we have a membership going right across the dominion. This submission is being given by the executive council and we do not want to give the wrong impression that we are speaking for the chambers of commerce as a whole. We hope that we may be able to speak for the chambers of commerce as a whole after our annual conference in Banff.

Q. I did not understand whether your committee was advocating one thing or the other?—A. We lean towards a transfer within one year, or approximately.

Q. That is, by a raising of taxation?—A. That is right.

Q. In any year of the amount of money required in that year to pay the pensions?—A. That is correct. I think you get over two things by doing that. You get over an awful lot of bookkeeping, and to some extent you get over a change in the real value of our Canadian dollar bill.

Q. I am not questioning the correctness of your view; I just wanted to know what it was.—A. We lean towards the second one.

By Mr. Brown:

Q. What would you do in the case of a depression or a recession?—A. That is why we do not want to make any step which we would not be able to carry on.

Q. Would you have in mind the setting up of some sort of reserve?—A. Our thinking has not gone along to that stage. But your suggestion seems rather a logical thing to do. We do not know how to put it together. We have no opinion on that.

The CHAIRMAN: That is a question of cyclical budgeting.

Mr. BROWN: When may I ask my other question, Mr. Chairman?

By Mr. Croll:

Q. You feel that the \$30 basic or exploratory pension would carry us through under all circumstances?—A. You are talking about the years to come?

Q. Yes.—A. No.

Q. Well then, what does your suggestion of \$30 mean?—A. It means we would start with \$30 and maybe in two or three years time this committee or some other committee might review it and find out whether \$30 was working out all right, or whether it could not be increased.

Q. Do not worry about that, that will happen soon enough. Let us see the other side of it. Do you contemplate a decrease when you suggest \$30?—A. Our committee did not.

Q. Then you say that under all foreseeable circumstances you think that \$30 is a safe figure to use for the future?—A. I did not understand your question?

Q. Yes.—A. Yes, we feel that.

Q. You feel that?

By Mr. Cannon:

Q. Upon condition that it is on a contributory basis?—A. Definitely.

Q. And not out of current revenue?—A. Out of current revenue raised specifically for the payment of pensions.

Q. That is what he means; earmarked for that purpose.

By Mr. Brown:

Q. Under our present scheme in which we have the means test it does not seem probable or possible for an individual to exist on that \$30 a month; so there you have to have some other program besides your contributory \$30 per month scheme.—A. If you can raise the revenue, I am all in favour of it. I do not believe you can.

Q. You can from the individual's point of view. You will agree with me that the everyday individual could not exist without some other income than the \$30 a month, in our present way of living and our present prices and economy?—A. I agree with you that it is most undesirable; but I am afraid that some people are forced to.

By Mr. Croll:

Q. Do you not suggest on page 7 that payment of a basic pension by the federal government does not necessarily exclude the possibility of provincial governments supplementing the pension?—A. That is quite right. I thought we were talking about the federal one.

Q. At the time you suggested it you had it in mind. You know the pension now is \$40?—A. Yes; but \$10 of that is provided by the province.

By Mr. Brown:

Q. Depending on the province.—A. British Columbia pays up to \$20.

Mr. CROLL: Up to \$50.

The CHAIRMAN: We are on the third point.

Mr. FLEMING: What was it, Mr. Chairman?

The CHAIRMAN: Sense of responsibility and ways and means for providing for old age.

By Mr. Fleming:

Q. I am waiting for a chance to ask my question on the second point. I got a stronger impression in reading your brief about the pay-as-you-go basis than I derived from your remarks and I understood you are laying great emphasis on the basic provision of \$30 per month to be met strictly out of current revenue.—A. That is right. Current revenue is defined as being revenue which is raised specifically to pay the pension.

Q. Would you develop that suggestion, please? You said that you felt the people of Canada should contribute as a whole. Will you link those two thoughts together; the idea of the people paying as a whole and the idea of setting aside some revenues specifically, or ear-marking them, for the purpose of making this basic provision which you speak of?—A. I would like to feel about the people of Canada that they can have whatever pension, and whatever sized pension they want to pay for. And coupled with that thought is the way of raising the revenue to pay for those pensions, so that as far as we are able we can collect the money necessary to pay for those pensions from each individual in Canada. Our particular committee did not feel competent to go into the ways and means of specific taxes; we definitely have not done that. But I think you can say with some degree of dogmatism that if everybody in this country is going to contribute towards a pension scheme, then the taxes which are going to be imposed in order to raise that money must be not only direct but indirect as well.

Q. I do not want to press you on a question which you may feel is rather beyond the scope of the decision of your committee, but I gathered in speaking of the method by which you are going to raise the money currently to provide this, or to make this basic provision of \$30, you had in mind something a little different from the way it is being done now, today, when it is being taken out of taxes?—A. It is fundamental in the brief. We may not have made it quite clear, but I think it is fundamental to our brief.

By The Chairman:

Q. May I give you an example? The pension of \$30 at age 70 would cost, in 1950, around \$225 million. That would be the expenditure. The current expenditure towards our means test system this year is about \$100 million. It is \$99 million as a matter of fact—(I mean the federal part—excluding the blind; only for the old age). That would mean finding a way to raise \$125 million.—A. Yes.

Q. We could obtain \$100 million from an additional 2 per cent sales tax. That would be an indirect tax. Do you say that we should ear-mark—we would have our money then—but do you say that we should ear-mark a 4 per cent sales tax towards the payment of old age pensions? Is that your contention if we adopt such a system?

Mr. BROWN: Where do you get that 4 per cent?

The CHAIRMAN: 4 per cent would yield \$200 million. 2 per cent would give us \$100 million. But we need \$200 million, therefore I ear-mark 4 per cent.

The WITNESS: I mentioned a few minutes ago that we had in mind that the raising of the money in this particular suggestion should be on the basis of not only direct taxation but indirect as well, and probably should be a combination of the two.

By Mr. Ferrie:

Q. You want two systems?—A. No.

The CHAIRMAN: No, two sources.

By Mr. Brown:

Q. You approve of the imposition of a sales tax?—A. Personally, or from the standpoint of the committee?

Q. No. Would your executive be agreeable to that?—A. I cannot go that far. We do not go any further than saying that we feel that the money should be raised by direct as well as by indirect taxation.

By Hon. Mr. Fogo:

Q. Why do you say that? What is the merit of saying that it should be raised by a tax as distinct from general revenue?—A. We think that Canadians as a whole should understand that they can have whatever social welfare they are willing to pay for.

Mr. BROWN: But if you have this indirect, they do not get a chance.

Hon. Mr. Fogo: Let us get closer to it. What is the merit of ear-marking a tax and saying to the taxpayers: you are paying so much for old age pensions, and with the rest of your taxes you are paying for general governmental expenditures?—A. In the hope that they will understand what it is costing them to get what they are going to get in this pension.

Q. All right. One more question: then this specific tax in your mind would be applied only to the people who are now direct tax payers.—A. You mean the direct portion?

Q. There is a certain percentage of the people in this country who pay income tax?—A. That is correct.

Q. They are a relatively small proportion compared with the whole?—A. That is right.

Q. You say this should be collected as a contribution from all the people in this country, but you mean only from those people who pay income tax?—A. No, No. Because if you have indirect taxation you are going to collect a lot.

Q. I am talking about the direct part of it.—A. Yes; that would not necessarily mean we are only talking about the direct part; that would not

necessarily mean only those people who pay income tax because that would be in the hands of the people who are actually going to draft this legislation. They might feel it desirable to include in it all those people who are having payroll deductions.

Q. But what do you think?—A. As I mentioned before, we deliberately did not go into the details of how this tax should be raised.

Q. But you do appreciate the problem?—A. I see it very clearly.

— of saying all the people but meaning merely that part of the people who pay the taxes?—A. We appreciate that very clearly. I think that as a matter of policy in our brief we say that the Canadian people as a whole should be prepared to make contributions towards this pension scheme.

By Mr. Picard:

Q. Your way of doing it would only be through indirect taxation because through direct taxation you would be getting only those who pay income tax; and many of them are exempt for quite a large amount. So through direct taxation you would not be getting at everybody.—A. We are quite well aware of that.

Mr. BRACE: I do not know whether you call it direct or indirect taxation down in Quebec. We have direct taxation, in my opinion, in this hospital tax of 2 per cent, and this other tax by the province of 3 per cent.

Mr. PICARD: That is indirect taxation.

Mr. BRACE: You may call it that but I think it is very direct.

Mr. PICARD: Yes.

Mr. BRACE: Pretty direct so far as I am concerned.

Mr. PICARD: May I ask a question of Mr. Crean, Mr. Chairman.

The CHAIRMAN: Yes.

By Mr. Picard:

Q. Would you consider that the income of all citizens, no matter whether it is \$200 or \$300 or \$600 a year, should be taxed by, let us say, 1 per cent or 2 per cent to meet your aim of direct taxation on the whole of the people of Canada? That might be one solution for what you say you want to reach by direct or indirect taxation of all the people of the country.—A. Would not that be an extremely regressive tax?

Q. I think so, but I would like to get an expression from you of your opinion of it.—A. I think it would be an extremely regressive form of taxation and in my own thinking we should be somewhere in between an extremely regressive tax and an extremely progressive tax.

Q. But what you are aiming at is raising the money used for this purpose by a direct or an indirect tax on the whole of the population, is that it?

The CHAIRMAN: By direct taxation.

Mr. PICARD: By direct taxation?

The CHAIRMAN: On the whole of the population, yes.

Mr. PICARD: How are you going to reach the whole of the population unless you tax all of them?

The WITNESS: We agree to that, and that is why we say that it probably should be both a direct and an indirect taxation scheme.

Mr. FERRIE: Would you have a wage tax and a production tax, would you tax all wages and all production; would that be what you would do?

Mr. BROWN: That would be like the Australian system.

The WITNESS: I know that I am not an expert on taxation matters, and I begin to realize that this afternoon.

The CHAIRMAN: We are all pretty much in the same position with respect of this matter. You will appreciate that one of the problems facing this committee is how to find the money.

Mr. CROLL: Just let me get that taxation matter clear.

The CHAIRMAN: I am sorry, Mr. Croll; I believe Mr. Fleming and Mr. Laing have asked for the floor.

Mr. CROLL: All right.

The CHAIRMAN: Mr. Weaver, I think, has a question at the moment.

Mr. WEAVER: I would like to ask the witness how he proposes to deal with the question of eligibility for benefits?

The WITNESS: Well, I would think the Department of Welfare would have an answer to that which would be much better than mine; that is what they are concerned with, and I would think they should be able to give us a guide on that point. I will be very frank and say that that is one of the points which we did not have time to consider or discuss.

The CHAIRMAN: As I appreciate the situation, Mr. Crean, you are dealing now only with the main point at issue, the pension; would that be correct?

The WITNESS: That is correct, yes; but I am not trying to get out from under any of these questions. When I don't know the answer, I am going to tell you so.

The CHAIRMAN: I think we would make better progress if we were to give the floor to one member at a time.

By Mr. Fleming:

Q. Mr. CREAN: I would like to go back once more, just for further information, to this item of payment out of current revenue; that is the expression you used, current revenue; and I gather from that that you do not suggest that we just dip into taxes for the payment of this basic pension, you expressed a preference for a form of tax that will be both direct and indirect as a taxing operation. Now, as you no doubt know, the federal revenue at the present time is derived 59 per cent from direct taxation and 41 per cent from indirect taxation, so that in substance your proposal for paying out of current revenue is not very far removed from the present federal scheme.

A. I could not speak for the committee on that because we did not get down to that much detail, but I am prepared to speak for myself because I do know what I think about taxes. I think you would have to go into that quite thoroughly. I would be quite happy to sit on a committee of the Chamber of Commerce, and there are a number of our members who know a good deal about taxation, and to give the whole matter thorough consideration and decide whether and the extent to which it could be a regressive or a progressive tax, and to endeavour to work out a method of taxation which in our opinion would ensure equity.

The CHAIRMAN: Mr. Laing.

By Mr. Laing:

Q. The point that I wanted to establish with Mr. Crean was that I think we all fully appreciate that what he is attempting to do here is to bring home to every Canadian that benefits of this kind are going to have to cost somebody something, someone has got to pay for them, and that anything in that direction is bound to be accompanied by inevitably regressive taxation.—A. I don't agree with that.

Q. I beg your pardon?—A. I don't agree with that.

Q. You do not agree with that?—A. No.

Q. The way the consolidated revenue fund operates today shows that the cost of carrying on the government in all its many phases is paid out of those two forms of taxation, isn't that so?—A. Yes, I realize that, but that is a very different matter than if you did it all by income tax. That would be more progressive.

Hon. Mr. FERLAND: What is progressive?

The CHAIRMAN: The witness used the word first.

By Mr. Croll:

Q. I presume any proposal of further taxation is regressive.—A. Speaking personally, I would certainly say it was.

Q. I want to ask the witness something about the suggestion here on page 7 of his brief. You are aware of the proposal made in 1945 by the government? I am sure you are.—A. Yes, but only in a very general way.

Q. Well, all right. Well then, let me ask you this: have you given any consideration to people below the age of seventy?—A. Yes.

Q. It is a common practice in business, we know it only too well, and also in the government, to retire people at the age of sixty-five.—A. Yes.

Q. Have you any views on that particular point?—A. Well yes, I have; sometimes I have wished it started at less than sixty-five on a personal basis.

Q. Yes, we all do; but there is still a problem there. Have you any views you would like to give the committee on that?—A. My view would be that if you were to start it at age seventy then as you go along you could find out whether you could enlarge it to take in a lower age group.—A. Let us suppose that we start with age seventy now and see how it would work; say we take in only people age seventy and over for the time being.—A. Unless you are going to be able to raise more money you are not going to be able to do anything for them.

Mr. BRACE: Might I say a word on that, Mr. Chairman?

The CHAIRMAN: Yes, Mr. Brace.

Mr. BRACE: I would like to bring that point very seriously to the consideration of this committee. We have one major factor which is confronting people, at least in North America, and I think pretty generally across the country, where modern medicine, improved hygiene and all those things have come into account; and the insurance statistics indicate very clearly that a great many more people are going to reach the age of sixty-five and the age of seventy who will still be able to live active healthy lives than has been possible for people who reached the ages of sixty and seventy in the past; and I think it is going to be a responsibility for industry and business to take a new look and reverse the step which they took some ten or fifteen years ago of moving down the life span of workmen from age seventy and age sixty-five. I think we are going to have to find employment for those people who are still employable and who can still turn out goods beyond the age of sixty-five and beyond the age of seventy. I think that is definitely in the picture today, and we will have to plan to retain some of the people within the working group beyond the age of sixty-five which we consider the retirement age today.

The CHAIRMAN: Mr. Shaw.

Mr. SHAW: Is there not a trend definitely and directly away from that position now? Men of forty-five are having a hard time finding employment, men in many lines of enterprise today.

Mr. BRACE: I quite realize that as the demand for labour declines the problem becomes more definite, but I do believe from the standpoint of national economy we have got to maintain as many people who are capable of producing as we can in the shop.

Mr. SHAW: But you would not suggest any direction compelling employers to employ people in those age groups?

Mr. BRACE: I would say there is a definite responsibility on the part of the employer to find work for his employee beyond the age of sixty-five if he is still able to contribute.

Mr. SHAW: Of course, Mr. Chairman, industry is concerned primarily in the production of commodities and they are more particularly interested in mass production and economical production. After all, what they are in business for is to make money, and you cannot expect through moral suasion to prevail upon business management to keep men in employment.

The CHAIRMAN: You mean by that that younger men give better production?

Mr. SHAW: Yes. While I have the floor, Mr. Chairman, there are a couple of questions I would like to ask.

By Mr. Shaw:

Q. In the brief the witness refers to the pension being paid to all Canadians age seventy and over. I would like to ask the witness, if I might, by what method he arrives at who are Canadians age seventy and over?—A. I presume you are using the word Canadian in the legal sense?

Q. I am just using it as indicating residents of Canada. What I want to know more particularly is this: in using that title Canadian just what did you have in mind that it would include; what are the qualifications of a Canadian resident, shall we say?—A. As I mentioned before, we have not gone into the details of it, but I do not think, speaking absolutely ad lib now, without the facts before me, the fringe people who might be classified as not real Canadian citizens are going to be very many. That is why I said a little while ago that I think the Department of Welfare know who they are and would be able to look after that phase of it one way or another. We did not simply take and use the term Canadian in any narrow sense. We intended it to include all classes of people who are resident or living in Canada during their active lifetime, at least for some little time. But I do not think it would be easy to define what I have in mind.

The CHAIRMAN: I believe, Mr. Shaw, that the witness told us that the members of his committee have not been able to give much thought to the details of this submission. We have given much more thought to that specific point than he has already because we have studied residence and citizenship qualifications in all the major countries of the world, so we are in a much better position to make a decision on that point than the witness would be.

Mr. SHAW: I do not want it to be thought that I was being critical, I was merely endeavouring to find out what he had in mind in the use of the term there.

Mr. CANNON: I think it would be fair to say, Mr. Chairman, that in using the term Canadian there they have used it as applying to social security benefits such as we now have in Canada.

The WITNESS: I would think that would be approximately correct—without knowing the details of what those terms actually are.

By Mr. Blair:

Q. Let us go back to something that occurred at the first. You evidently approve of a day to day system of financing and you are not going to build up a fund.—A. We lean towards that.

Q. Then you spoke of the importance of 33½ per cent export trade and Mr. Brown brought up the problem of recession. How are you going to pay in a period of that type? Would it not be a time when people would need the money?—A. I agree.

Q. Then, it does not seem reasonable; and we have all been taught about the question of a rainy day. First, people are going to need the money more than ever, and yet you do not insist on any arrangement being made for the rainy day or the period of recession or the period of the loss of export trade, and I am

quite concerned about the question which Mr. Brown brought up. I think that in a period of recession old people are going to need that money more than they ever did. Can you explain why you want to carry this on a day by day system rather than by building up a fund which would take care of a possible loss of export trade or, the word used by Mr. Brown, recession?—A. I would like to bring that back to the question of how much Canadians are willing to pay. Your question strikes me as being a very good one and, possibly, if we had thought a lot more and been more specific—which we deliberately were not—we would have included some things and said that possibly the amount which would have to be collected would be something over and above actual payments.

Q. That is changing it; you are building up a fund then?—A. I admit that, but I do not suggest for one moment that we go into all the details. I admitted to you it was a thought which we did not consider. I admitted it is a very good thought—but I again come back to the fundamental point of the brief which is what the Canadian people are willing to pay.

Mr. FLEMING: What are they willing to pay?

The WITNESS: I do not know—that is why we should have an exploratory period.

Mr. BLAIR: In your briefs you mention age seventy. I personally have found, and I have gathered the information over several years, that all people are not going to live to seventy and eighty and that there have been a great many people disabled between the age of sixty-five and seventy—disabled through old age. What are you going to do with those people? I have found people old at sixty-five and not so well able to work as some people who are seventy or seventy-five. I refer to the ages 67, 68, and 69—especially in women.

Mr. BRACE: That question was addressed to me?

Mr. BLAIR: Yes.

Mr. BRACE: Our expert witness already drew to your attention the fact that we believe provision for old age should come from a number of sources. First, and fundamental, from personal thrift. Second, largely in industry and business pension plans have to be developed for employees—and I think these things should come before we get to the point where we are taxing the people so that at age sixty-five or seventy—wherever it is—there can be some basic pension made available to them.

I quite realize that there is that area below seventy and below sixty-five, and even some below sixty and fifty-five where we are no longer able to work. However, I do not think you can put, in a measure of this sort, a provision that you will take care of all cases. I do believe that we have been looking at this in a wrong way when we say that at age sixty-five production will cease. I think people who are able to still produce, in the interests of the national income, should have jobs made available for them. Below seventy, it seems to me, some other means would be provided rather than that we should get into an area of providing a basic government pension then. I do not think this country can afford it to begin with. I think these other things have got to come first.

By the Chairman:

Q. Mr. Crean, do you say that you do not believe that along with your basic pension we should have a system of means test pension for total and permanently disabled persons from sixty to seventy, or take it at sixty-five?—A. Taking it from sixty-five, surely that is another problem. We are talking about strictly old age pensions.

Q. Well a disabled person at sixty-five is certainly an old age person?

Mr. BLAIR: Disabled due to old age?

The WITNESS: We are not saying that he should not be looked after.

By the Chairman:

Q. No, but you are completely against the means test?—A. That is quite correct.

Q. Would you be against the means test, even for those persons, on a federal-provincial participation basis—and this does not reflect my view now, I am just asking the questions?

Mr. BLAIR: I will accept that as what I was trying to find out.

By the Chairman:

Q. My question follows along the lines of Dr. Blair's question?—A. May I premise my remarks with your finale?

Q. Yes.—A. I would like to say this. We feel that in abolishing the means test at age seventy we are going to have to raise a lot more money. We feel, having in mind the two basic points which we presented at the start, that that it is quite a chunk. On the other hand, if this committee or any group feels that it is quite able to raise money to take care of people from sixty-five to seventy who because of old age are incapacitated, then there is no reason why that cannot be added. We do not deny for one moment the problem of people who are destitute between the ages of sixty-five and seventy.

Hon. Mr. KING: There would have to be some kind of a means test?

Mr. BRACE: As I understand it you have a means test for the blind, is not that true?

The CHAIRMAN: Yes.

Mr. BRACE: And you do provide relief for the blind?

The CHAIRMAN: Apart from old age.

Mr. BRACE: I am answering Dr. Blair's question a little further but it would seem to me you could augment the plan to provide for people who are physically incapacitated through other means than blindness. You do not have to stop at sixty-five but you could go down to sixty or fifty-five or fifty. However, that seems to me to be outside the problem of old age. It is incapacitation.

The CHAIRMAN: The reason why we ask you the question is because you suggest paying at seventy only.

Mr. BRACE: Right.

The CHAIRMAN: But the general concept in industry now is that industry considers people over sixty-five too old to work?

Mr. BRACE: I am taking the view that industry has got to take another look at it.

The CHAIRMAN: You are in a better position to convince them than even we are.

Mr. BLAIR: I have seen people who are old at sixty-five, sixty-seven, or sixty-eight, and that is what concerns me.

Mr. BRACE: We have quite a few working in our company.

Mr. BLAIR: I am talking about people who are not able to work due to age.

Mr. BRACE: That is where the means test comes in—for people under seventy.

Mr. BLAIR: You would suggest a means test?

Mr. BRACE: Yes.

By Mr. Cannon:

Q. Mr. Crean, my question has to do with raising money, which is one of the big problems we have to face. You say that the money may be raised from two sources, direct or indirect taxation. As far as direct taxation is concerned

we have seen that among the methods used in other countries there is a social security tax, a payroll deduction, and a contribution of so much by the employer and so much by the employee. I understood you to say that your committee has not gone into detail, but is this committee here to take it for granted that your committee has no recommendation to make as to the desirability of either of those approaches—the social security tax or the payroll deduction?—A. Specifically, yes; but we thought we had better leave some work for some other people.

Q. You have no recommendation?—A. No recommendation at all.

The CHAIRMAN: You could not agree?

Mr. BRACE: It was too big for us.

The WITNESS: I would not say that we could not agree.

The CHAIRMAN: I see what the position is.

Mr. SMITH: I would like to leave Mr. Cannon's field and go back to Dr. Blair's questions. My question is more in his field than the other. I get from your brief two points. First that the pension should be \$30 a month to people of age seventy, paid to everyone and therefore without means test, and also as our system is now, it shall be paid out of the national revenue. Does that mean, therefore, that you people consider it is more important to spend \$175 million more in order to bring everyone in on the basis, regardless of means, than it is to provide some more millions of dollars to a lowered age limit of say sixty-five to provide for some of the cripples Dr. Blair has talked about?

Mr. BLAIR: Not cripples.

Mr. SMITH: But does the brief mean that your thinking is along those lines?

The WITNESS: As an initial or exploratory step, yes. We would have said the other thing if we had thought it.

By Mr. Smith:

Q. You therefore consider it more important to pay me \$30 a month than it is to raise someone else's pension? I ask this partly because I think it is worthy of thinking out by others?—A. You say that you want to raise so much money and it is a question of where you are going to spend that money?

Q. That is it.—A. I would have to answer you personally on that.

Q. I wish you would.—A. Because I feel I am going to go right back to what we started with. I feel that if Canadians are willing to pay that money out, they should be taxed, but I do not know whether they are willing.

Mr. SHAW: What are you going to do, take a plebiscite?

The WITNESS: If you take a plebiscite they would all agree on it.

Mr. FERRIE: That is the question I asked you. Are they willing to pay or can they pay?

The WITNESS: You have a national income of \$13 billion dollars, and it all depends on how you are going to cut the pie.

Mr. SMITH: Might I just make one more comment? I think that the brief will be at variance with the people I happen to represent. I think there are more people in my constituency who would rather see more help given to those in real need than for them to pay more in taxes to give me or the witness a pension.

By Mr. Picard:

Q. I have two questions. The first one is on the question of a basic pension of \$30 at seventy years of age. You say this should be on an exploratory basis and later on we might amend it after we have seen how it goes along. I would like to know what you mean by that—as it goes along? Who will be deciding judge and what will be the deciding factor?—A. I do not mean to be flip in this reply but I would say, parliament.

Q. Do you mean after we have established the exact cost of pensions, is that what you mean? You say on an exploratory basis, do you mean after we know exactly what it will cost?—A. And I would presume that you would take into account what your budget would be for the following year.

Q. That is another thing. Now, you come on a much larger field; if the amount you will give is dependent on the budget of the country, you might have to lower it. But you would not go any lower than \$30?—A. No.

Q. But you would not raise it unless the budget shows a surplus in one year?—A. You are assuming then; you mean that your budget surplus would pay for the increase?

Q. I do not mean anything. I am asking you. I am asking what you mean by, as it goes along. What do you mean by that? You say it is to be on an exploratory basis, and after we have seen how it goes along, we may raise it or not.—A. I can tell you what I mean very shortly. It surely has been the history of this country and probably the history of England and probably that of the United States, that as those other countries have developed they have been able to take measures which come under the ominous term of security to a greater extent than they took in the years gone by.

Q. So I understand that you condition any rise in this pension on the development of the country or the further wealth of the country, or the productive capacity of the country—A. I think that would be a fair statement.

Q. You do not base it on the cost because we already know what it would cost in Canada to give \$30 a month to every person at seventy years of age, and we also know how much it would cost to give \$30 to every man at sixty-five. That is not what you mean?—A. I do not quite follow you there.

Q. I am trying to find out on what you condition your increase to \$35. For instance, if in five years, there is a proposal to increase the pension to \$35 or to lower the age to sixty-five years—or suppose that right away there is the proposal to give \$35 or \$40 at age sixty-five—Now, would you give that amount depending on the wealth of the country, or what?—A. I would like to answer you by one example that might lead to it, and this is not a general answer. A specific example might be, if we are having a good deal of economic health in the country, and the government felt that we are going to be able to reduce taxes a good deal, then it would seem to me that the capacity and willingness of the citizens of Canada to pay a higher pension plan might very well be taken into consideration. That was an example.

Q. Take the reasons mentioned by Mr. Blair a moment ago to the effect that people need more than \$30 a month for the elementary things in life, if taxes could not be lowered you would not give them that \$35?—A. I do not agree with that at all, sir. I still come back to the point that whatever pensions are paid, whether they are on a means test basis or on a basis of a universal pension, they still have to be paid by us as Canadians and I do not mean in the narrow sense, but the general working population of the country have to pay it.

Q. You mean the income tax payers?—A. Uo, because there are a lot of people who produce a lot of wealth in this country who do not pay income tax.

Q. But an increase to \$35 could not be given no matter how much these pensioners needed it unless the country had a surplus. I am following along Mr. Blair's questioning.—A. I was trying to preface my remarks by saying I would give you an example.

Q. But I am trying to get your ideas. We want to know what you mean in the brief, and that is a very material point.—A. I agree it is a material point and we have it in the brief, on one occasion anyway, that we do not know how much Canadians are willing and able to pay. I do not know how much you believe that the *London Economist* is a reputable and sane paper, but they have been running several articles for some time which would lead

one to think that the amount of payments that are being made into the central treasury and then in turn being paid out in welfare payments is higher than the country as a whole is going to be able to stand or willing to stand.

Q. Willing to stand?—A. Yes.

Q. But how would you cope then with the necessity of looking after these people so that they will not become destitute or a charge on the country? We have to consider that they have to receive enough to at least eat and be clothed.—A. I am not suggesting for one moment that it would not be a great thing if we could look after everybody in this country who is destitute or hardup because of any reason whatsoever, but at the present time we have to do it out of a national income of \$13 billion, and it becomes a question of how to cut the pie.

By Mr. MacInnis:

Q. How much would the national income of \$13 billion be per capita of the population of Canada?—A. There are roughly thirteen million people in the country.

Q. Yes.—A. So it is a question of division.

Q. \$1,000 a head, that would be about \$5,000 a family.—A. That is right.

Q. Evidently some families get \$5,000 or more than \$5,000, and on the other hand many other families do not get \$5,000.—A. I agree with you entirely.

Q. That brings me to my next question: where you refer to military security on page 2, you write:

Having regard for the capacity of the Canadian economy, is military security compatible with the nationally financed domestic security?

Do you believe that in the world as it is today you can get military security unless you have general domestic security? That is the question that is facing the world today.

The CHAIRMAN: I ask Mr. MacInnis if he is making a statement or asking a question.

Mr. MACINNIS: I am asking him if domestic security is not equally important or perhaps more important than military security?

The WITNESS: We cannot get absolute military security nor can we get domestic security when we are depending upon foreign trade.

Mr. BROWN: How can you have domestic security without military security?

Mr. ROBERTSON: We cannot have one without the other.

By Mr. MacInnis:

Q. One other question. Looking to the brief, it recommends—and this, I believe, is the only recommendation in it—a pension of \$30 per month payable to all persons over seventy. I am not suggesting that that is domestic security.—A. Neither are we, sir.

Q. But it is admitted—Mr. Brace, I think, admitted it, and I think Mr. Crean did too—that there were a great number of other people below the age of seventy who because of old age or other reasons would have to be provided for. Where are you going to get the revenue to provide for those people?—A. May I ask a question? Are those people being taken care of now?

The CHAIRMAN: No, they are not.

Mr. MACINNIS: That is the reason for this committee, that they are not.

The CHAIRMAN: They are in some ways other than on government old age or invalidity pensions.

Mr. CROLL: They are on public assistance in municipalities.

The WITNESS: I was not sure of that, but that is what I thought.

By Mr. MacInnis:

Q. Do not some people pay taxes to take care of people below 70, and also have to pay taxes to take care of people who are above 70?—A. I could not answer that.

The CHAIRMAN: Your question is along the same lines as Dr. Smith's questions.

Mr. MACINNIS: But that does not invalidate my question.

Mr. ROBERTSON: I do not think they do, because in a municipality the tax is levied on the property whereas the federal government levies it on the income. So I would say there is quite a difference and that they do not necessarily pay it. It comes from the people, but not from the same group of people.

The CHAIRMAN: That is a discussion between members. Are there any other questions, Mr. MacInnis?

Mr. MACINNIS: I shall leave it at that.

The CHAIRMAN: Mr. Ferrie, you have been trying to ask your question for some time.

By Mr. Ferrie:

Q. The point I want to get at is: how did you get this basic pension of \$30 a month? Did you take into consideration that the federal government, through taxation or through contributions out of the federal set-up would be paying \$30? Or were you taking into consideration some contributions by the provinces to make \$30 a month?—A. In this proposal we are discussing I think we say there should be a contribution on a federal basis, and at the same time that does not preclude the provinces making some payments. I am not going to suggest what type of payment they should make towards the pension.

Q. How did you get at that basic pension of \$30? How did you bring out that quota of \$30 per month in your own mind?—A. You mean: why did we take \$30 instead of \$25 or \$35?

Q. Yes. How did you come to take \$30 as the basic pension?—A. Sometimes it is very difficult to tell exactly how a figure is arrived at when one is sitting around a committee table. Sometimes you cannot just say who made the suggestion of \$30. But I think in settling on that figure we had in mind roughly that if we accept 1 per cent or 2 per cent of the national income as being a reasonable figure, then the \$30 pension would be a first exploratory step.

Q. Did you come to the conclusion that you could not go over 2 per cent of the national income?—A. No. We know that we can go over it, but we are not sure that we will not have too much difficulty in collecting the taxes.

Q. You feel that you can go over 2 per cent of the national income for the payment of a social security program of this kind?—A. We are not sure that the Canadian people are willing to go over 2 per cent. We do not know.

Q. But my point is that the Canadian people are willing. Now, you are connected with an organization, so we feel we should ask the question: do you feel that the people are willing?—A. Do you feel that the people are willing?

Q. Oh yes, I know the people are willing; but can they afford it? That is the whole thing.—A. You know the people are willing; I am just trying to get your thoughts. You say the people are willing to do it; but can they afford it? What is the division?

Q. I will give you an illustration, if you like. People are willing to go into a free hospitalization medical care scheme in the southeast portion of the province of Saskatchewan. But in the first year they went \$59,000 into the hole and in

the second year they went \$69,000 into the hole. However, they are still willing.—A. Then it may be said that they are actually not paying for what they are getting.

Q. There is the point. That is what I want to ask you. Are you, in your organization, willing to say that the people of Canada can pay through your organization to set up without any means test the very pension you ask here? In your brief you ask to have it set up without any means test. Are you willing to say that it can't be done from your organization? You are will to say that it can be paid for?—A. We feel reasonably confident that the citizens of Canada would be willing to allow themselves to be taxed to the extent of the over-all picture 1 or 2 per cent to pay for this proposal of old age pensions.

Q. 1 or 2 per cent?—A. We feel that is a step which they would be willing to take. I do not say willing, but able. I am rather a bit confused about what you mean by that.

Q. I think somebody made a statement here a few minutes ago that if you took a referendum you would have a large majority in favor, but that large majority would not know whether they could pay. They are like you. They would not know whether they could or could not pay for the pension.—A. I think that is a very good point. In fact, I think it is a very excellent point.

By Mr. Croll:

Q. And what is the answer?—A. Take a very small step in the beginning and then see what happens.

By Mr. Ferrie:

Q. We have taken a step here now. We have the best system. We have studied most of the systems in the world that amount to anything and we think that we have the best system. I think you will admit that we have the best system that there is in the world today. Then you come along and say: Do away with the means test. We still have the means test. Are you willing to say that we should do away with the means test, and give the pension to everybody and then leave taxation to pay for it all?—A. That is the brief. That is what the brief says.

Q. Are you willing to stand by that brief? Because your statements are not what the brief say.—A. I am awfully sorry if my statements are not what the brief says because I have been doing the best I can to stick with the brief.

The CHAIRMAN: Have you got any other questions, Mr. Ferrie?

Mr. FERRIE: You do not need to tell him not to answer me.

The CHAIRMAN: No.

The WITNESS: I would like to have a session with you, Mr. Ferrie, some evening. I think we would have a lot of fun.

The CHAIRMAN: Have you any other questions, Mr. Ferrie?

Mr. FERRIE: No. Thank you.

The CHAIRMAN: Now, Senator Fogo?

By Hon. Mr. Fogo:

Q. I think perhaps Mr. Ferrie touched on the point I had in mind. But as I understand the proposal, it is to pay \$30 a month pension at the age of 70 to all persons, to all Canadians, or to all people. That differs only from the present system in respect to the age limit of 70 and the amount of the federal contribution being \$30. But why the point that it should be payable to all persons, not only to those in need? I have not yet discovered why this committee thinks that \$30 should be paid to everybody in the country rather than only

to those who are in need of it. I am thinking of someone outside this room who has an income of, let us say, \$10,000 to \$20,000 or \$30,000 a year. Why should he get \$30 a month from the federal government which has probably been contributed through general taxation, or derived out of specific levies? It does not make any difference. Why should we pay that man who has an income of \$25,000 a year? Why should the federal government pay him \$30 per month? That is a question I thought you might answer.—A. We feel that the means test does two things. We feel that it penalizes those who are thrifty because those who are not thrifty get the same amount.

Q. This man I am thinking of is thrifty. He is a smart fellow. You do not have to worry about him. We are not penalizing him.

By Mr. Fleming:

Q. You are talking about the whole Canadian body politic.—A. The second point is that I think this means test does provide a constant temptation to the Canadian citizen to make a false declaration. I know that on more than one occasion I have fallen to temptation—not on a means test.

Q. But would you go so far as to say that there should be some limit on the income of the proposed recipient of this government gratuity?—A. No.

Q. Why should a person who has an income of let us say from \$2,000 up to \$5,000 a year—why should the dominion government, or why should any government pay him a pension?

Mr. BROWN: Family allowances are paid to him.

The CHAIRMAN: May I ask a question along that line? Has your committee given thought to the following possibility: you know that presently there is a \$250 exemption, a special exemption for people over 65 years of age, and \$250 for married people, that is, \$500 if the couple is married. Pardon me—

Mr. CANNON: \$500?

The CHAIRMAN: \$500 each?

Mr. CANNON: Yes.

The CHAIRMAN: What is the possibility of discontinuing this special exemption for people receiving old age pensions on a universal basis? That would answer Senator Fogo's objection because they pay more than they receive, and therefore they would lose in the deal.

The WITNESS: I am no tax expert, but I am learning.

By Mr. Cannon:

Q. In that connection, one thing I wanted to ask you, Mr. Crean, is: I was thinking of, let us say, anybody with a taxable income of over \$500, apart from his exemption, and I thought that anybody with a taxable income of over \$500 would be charged for the old age security; that the old age pension that he received would be added on to his income tax; so that anybody with a taxable income of over \$500 would not get any old age security, and would not in fact get any old age pension. I think that Mr. Crean would probably say that their idea is that everybody ought to get it, and I would like to have that suggestion on the record.

The CHAIRMAN: Have you any views you would like to express on that point?

The WITNESS: My answer would be purely personal, but I would say that all through your income tax structure at the present time there are certain basic deductions which are the same for a man who earns \$10,000 and the man who earns \$100,000; isn't that correct?

The CHAIRMAN: Yes.

Mr. CROLL: That is correct.

The WITNESS: Is there any reason for a man who has that \$100,000 income to have the basic exemptions?

The CHAIRMAN: Oh yes, I see what you mean. We could be here until morning if we were to start a discussion on that. There is a social reason for that.

Mr. BROWN: We just want to find out in a general way what industry in Canada thinks about old age pension schemes, and industry is represented here today by the executive committee of the Canadian Chamber of Commerce. We could get into a lot of detailed discussion that certainly would not be very helpful. That is a purely personal matter and so far as I see at the moment it is out of order.

The CHAIRMAN: Yes. I see Mr. Weaver has been trying to get my attention for the last half hour. Mr. Weaver.

Mr. WEAVER: Mr. Crean said he did not know how much Canadians as a whole were willing to pay. He represents a very important body of Canadians, he can tell us at least how much they are willing to pay.

The WITNESS: I cannot, because this brief was submitted from the executive council. The executive council people are quite willing to pay this amount.

Mr. PICARD: When did you hold the last election of your executive council?

The WITNESS: Unfortunately, it was last October.

Mr. PICARD: Well then, you are still in office.

The WITNESS: I want to make it perfectly clear that we are not here representing the Canadian Chamber of Commerce, we are here representing this present executive council.

Mr. CROLL: Well, it is a very helpful brief.

Mr. WEAVER: Well, Mr. Chairman, this is a very important body here today representing industry—

The CHAIRMAN: It does not represent industry, it represents business. Industry will be here on Monday in the presentation of the brief of the Canadian Manufacturers Association.

Mr. WEAVER: However that may be, Mr. Chairman, they do represent a very important body across Canada, sufficiently large to represent the major share of business who after all are the ones who pay a major part of the taxes, and the most important proposal we get from them is this suggestion for a universal contribution. I think it would be very much worthwhile, if they would be interested, for them to reconsider the brief and put it in in more complete detail; and, if they would do that, and possibly arrange to come back later on and give us more detailed information, that would be something which would be very helpful to this committee.

The WITNESS: Might I ask how long you are sitting?

The CHAIRMAN: Tonight we will sit until 6 o'clock. We will most probably end our hearings by the end of May.

The WITNESS: If you were to say to me: I want you to go and study and work out a tax scheme like that, I would not be prepared to bring in a brief by the end of May because I would want to prepare a brief which I felt was reasonably sound and that would involve so much exploratory work that I simply could not do it in that length of time. If you want me to go out and hire somebody to do it, I suppose that could be done in case the Chamber of Commerce should decide to hire people to do this work for them. I would much rather sit down and try to work it out myself. That is the only way I can answer you. I could not bring you in something by the end of May, I probably could if I did nothing else.

Mr. WEAVER: I think there is a gap.

The WITNESS: You mean, in this brief?

Mr. WEAVER: Yes.

The WITNESS: We admit that.

Mr. WEAVER: I think it is important that we should have a more complete answer from a body of opinion of the kind you represent. I would welcome an opportunity of being able to do it for you but I know what my personal conditions are and I am not prepared to undertake it.

Mr. FLEMING: I wonder, Mr. Chairman, if Mr. Brace would mind enlarging a little bit on that subject on which he touched earlier, the group in ages sixty-five and seventy? Would he care to make any exception in respect to a different treatment for women in the age categories sixty-five and seventy than for men, because in his early remarks he suggested revising employability as applied to men rather than to women, whereas I think it is correct, and as a matter of fact it is generally accepted, that women should have a retirement age about five years earlier than men. Even in industry, business and so on, where they have a retirement age of sixty-five for men it is generally sixty for women. I thought possibly he would care to make some observations with regard to that. Then, has he any suggestions that would help us with respect to the provision for persons in the age group sixty-five to sixty-nine inclusive? Is that going to be left to the provinces?

Mr. BRACE: I do not think the committee gave any thought to that, and if I were to say anything I would only be expressing my own opinion.

Mr. BROWN: Perhaps we should point out that in all the other countries we have studied—Australia, Denmark, New Zealand, Sweden, the United Kingdom, France, the United States—the old age pension benefit commenced at sixty-five years of age. Do you think Canada should be out of step with them?

Mr. BRACE: If they have age sixty-five now and we are still dealing with age seventy, we will no doubt have to come in line with them.

Mr. BROWN: Would you say in view of the fact that all the other countries in the world start old age pension benefits at age sixty-five that we should make our recommendation effective from age seventy.

Mr. BRACE: No, but if you look at conditions—as I said before, we have to find employment for employable people above sixty-five because of the life span change which has come along in the last ten or fifteen years.

Mr. CROLL: Is not the trend in the United States the other way?

The WITNESS: I think the trend has been toward forty-five, but I think we are going to find that that trend is going to reverse itself.

Mr. CROLL: In the United States?

Mr. BRACE: In the United States. Within the last ten days I have heard leading experts on this subject tell the businessmen of the United States that they had to change their point of view on account of the large number of employable people above sixty-five years of age; that they would have to find employment for people between the ages of sixty-five and seventy.

Mr. CROLL: Just let me follow that, would you mind? As a matter of fact the Chamber of Commerce over there, representing similar business institutions to those you represent here, in their last representations to Congress on the Old Age Bill which recently passed, made no such recommendations.

Mr. BRACE: I wouldn't be surprised but that would be true.

Mr. CROLL: Their recommendation was to increase the benefits, and you know the recommendation with respect to which—

Mr. BRACE: I imagine they probably haven't given that thought yet: but I do know because I heard a speaker on that very point before a Chamber of Commerce meeting in the United States last week.

Mr. FLEMING: I have just one question on that, Mr. Chairman: Mr. Brace, would you care to make any comment on this subject of possible integration with respect to the old age pension schemes and industrial retirement schemes?

The WITNESS: Our committee gave some thought to that and we felt that any integration that might take place should take place voluntarily, and that it should be left entirely to industry to write off any pension scheme they might have into any government plan. While I think that would be possible I do feel that it should be done entirely on a voluntary basis.

Mr. FLEMING: I take it that you advocate in your report, in fact you recommend the complete elimination of the means test, and I take it that you would expect that any person who came under an industrial retirement pension scheme would also be able to benefit by this government pension plan at age seventy. Is that one of the factors that you had in mind in recommending the elimination of the means test?

The CHAIRMAN: Do I understand you to mean that it would be possible for industry to integrate its plans here into a universal scheme?

The WITNESS: If you mean by industry, labour and management, I agree with you, but not as a relief for management alone.

The CHAIRMAN: All right, I won't quarrel with that. Then I take it what you mean is this, that it is possible to amend the existing industrial plans in taking into account the existence of a universal pension plan like the one which you propose?

The WITNESS: Yes.

Mr. BENEDICKSON: He did not say it would be possible, he said he was in favour of it.

Mr. FERRIE: Are you satisfied with the elimination of the means test to add that \$30 basic pension to the pension being paid by private industry?

Mr. BRACE: If a man is getting a pension from his own industry of \$40 a month and industry is not asked to maintain the basic pension from the government—the whole population is going to pay for that—then the \$40 he gets from industry would be added to the \$30 he gets from the government and he would have a pension of \$70 a month. That is our point.

The CHAIRMAN: Well, gentlemen, it is six o'clock. I believe that all members of the committee will join with me in thanking Mr. Brace, Mr. Crean, and Mr. Morrell for their appearance here this afternoon and for giving us their views. You may rest assured, gentlemen, that the questions directed by members of the committee were all friendly and I am sure members did not reflect their opinions in those questions.

The WITNESS: Thank you very much, gentlemen.

The committee adjourned.

V. Doc. Canada, Old Age Security, J.C. Chie of Senate
H. of C. 1950
SESSION 1950



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**JOINT COMMITTEE OF THE SENATE
AND THE HOUSE OF COMMONS**

ON

OLD AGE SECURITY

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 15

THURSDAY, MAY 11, 1950

WITNESSES:

- Mr. Pat Conroy, Secretary-Treasurer, Canadian Congress of Labour,
Ottawa, Ont.
- Dr. Eugene Forsey, Director of Research, Canadian Congress of
Labour, Ottawa, Ont.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.
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1950



MINUTES OF PROCEEDINGS

THURSDAY, May 11, 1950.

The Joint Committee of the Senate and House of Commons on Old Age Security met at 11.00 a.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Fogo, Ferland, Hurtubise.

The House of Commons: Messrs. Benidickson, Beyerstein, Blair, Brown (*Essex-West*), Cannon, Cory, Cote (*Verdun-LaSalle*), Croll, Ferrie, Fleming, Laing, MacInnis, Macnaughton, Picard, Pinard, Richard (*Gloucester*), Robertson, Shaw, Smith (*Queens-Shelburne*), Weaver.

Honourable Paul Martin, Minister of National Health and Welfare was also present.

In attendance: Dr. G. F. Davidson, Deputy Minister of Welfare, and Mr. J. W. Willard, Director of Research, Department of National Health and Welfare; Mr. Pat Conroy, Secretary-Treasurer, Dr. Eugene Forsey, Director of Research, and Mr. A. Andras, Assistant Director of Research, Canadian Congress of Labour.

The Chairman brought to the attention of the Committee a request from "*L'Union Catholique des Cultivateurs*" to the effect that they be heard by the Committee.

On motion of Mr. Croll, it was agreed that representatives of the said organization be heard at some later date.

Mr. Conroy was called. He presented a brief on behalf of The Canadian Congress of Labour.

It was ordered that the brief be taken as read and incorporated in this day's Minutes of Evidence.

Examination of Mr. Conroy and Dr. Forsey followed.

At 1.00 p.m., the Committee adjourned to meet again at 4.00 p.m., this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m. Honourable Senator J. H. King and Mr. Jean Lesage, M.P., Joint Chairmen, were present. Mr. Lesage presided.

Others present:

The Senate: Honourable Senators Burke, Doone, Fallis, Ferland, Fogo, Horner, Hurtubise.

The House of Commons: Messrs. Blair, Brooks, Corry, Cote (*Verdun-LaSalle*), Courtemanche, Croll, MacInnis, Macnaughton, Robertson, Shaw.

In attendance: Officials of the Department of National Health and Welfare, as recorded in the Minutes of the morning sitting, and Messrs. Conroy and Forsey of the Canadian Congress of Labour.

Examination of Messrs. Conroy and Forsey continued.

At 6.00 p.m., witnesses retired and the Committee adjourned until Friday, May 12, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
Thursday, May 11, 1950.

The Joint Special Committee of the Senate and the House of Commons on Old Age Security met this day at 11 a.m., Hon. Senator J. H. King and Mr. J. Lesage (Joint Chairmen) were present. Mr. J. Lesage presided.

The CHAIRMAN: Order, gentlemen. We have with us this morning representatives of the Canadian Congress of Labour. They are Mr. Pat Conroy, secretary-treasurer, Dr. Eugene Forsey, director of research, and Mr. A. Andras, assistant director of research. I am sure I am expressing the feeling of the committee when I say to you gentlemen that we welcome you to this committee and we thank you very much for the detailed study you have given to the matter we are considering. It will be of great help to us together with the discussion we will have this morning. All the members of the committee have studied your brief, which has been found very interesting, and they are anxious to discuss its various topics with you.

Now, Senator King and gentlemen, Mr. Conroy wishes to make a few opening remarks and then we shall throw the meeting open for questions. I shall try to be as fair as possible with members, but my suggestion, and my intention, is to keep to the following order: the suggestion is that we divide our questioning into four groups. If you will look at page 14 of the brief, paragraph 42, dealing with Congress' policy you will see there are four topics, (a), (b), (c) and (d). We will take them in that order if that is the wish of the committee.

Agreed.

Now, will somebody move that the brief be incorporated in the minutes of evidence together with the charts which have been distributed and are from the Canadian Congress of Labour.

Carried.

SUBMISSION OF THE CANADIAN CONGRESS OF LABOUR TO THE JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS ON OLD AGE SECURITY OTTAWA, MAY 11, 1950

1. The Canadian Congress of Labour, representing hundreds of thousands of Canadian workers, must inevitably be concerned about any measure which affects or may presently affect its members. Questions of social security in general, and old age security in particular, have on repeated occasions been the subject of discussion at Congress conventions and its policies are well-defined and well-known: a comprehensive program covering old age pensions, health services, sickness cash benefits, disability benefits, etc., as well as existing schemes like unemployment insurance and family allowances. The Congress has made many representations to the federal government on social security and it is no exaggeration to say that of the many changes which this Congress advocates, none has been so emphatically put forward as the need to make more adequate provision for the aged. The Congress does not ask for special privileges for its own members. It holds that economic security should be the birthright not merely of a fortunately situated few but of all.

2. There are two Acts of Parliament which the Congress believes should form the basis for the Committee's inquiry: the Old Age Pensions Act and the Government Annuities Act. The Congress has therefore divided this submission into two parts: (1) a consideration of present federal old age legislation and possible improvements and (2) a review of industrial pensions, with proposed changes in the Government Annuities Act among other things.

OLD AGE PENSIONS

3. It must be recognized, first of all, that welfare through the state is an inevitable concomitant of industrialization and urbanization. Canada started as an agricultural country. In 1867, her cities were few and small, her industries undeveloped. Most Canadians were farmers and owned their own farms. In their old age, they had the security of their property. There was consequently little need for state assistance except of a local character. Canada, however, rapidly became industrialized and a steady migration took place from the country to the city while large numbers of immigrants also settled in the cities to become wage-earners right from the start. In 1871, for example, the rural population was somewhat more than 80 per cent of the total. By 1941, it had shrunk to about 46 per cent. There was a marked acceleration of this trend during the war, and at present the proportion of rural to total population is smaller than ever.

4. This process of urbanization has transformed millions of Canadians from self-sufficient, property-owning, home-owning farmers into city-dwelling wage-earners. As wage-earners they are dependent on forces far beyond their control: cyclical change, plant shutdowns, technological progress, changes in consumer taste, and so on. They are by and large without resources other than their labour power. They are seldom if ever capable of building up anything like adequate funds in anticipation of old age. The needs of a growing family, the depletion of savings by illness, the loss of earnings through unemployment, all contribute, in our industrial society, to the creation of large masses of people who are unable by themselves alone to provide for their economic security.

5. The enactment of the Old Age Pensions Act in 1927 was thus a belated and inadequate recognition of the changes which had taken place in Canada during the first 60 years of her existence. The Act has been and continues to be open to criticism on three major points; (1) the unduly high retirement age; (2) the insufficient pension; and (3) the means test.

6. The requirement that an applicant must have attained age 70 to qualify for a pension is onerous by any standard. It is made more so by the difficulties encountered by older workers in finding employment. Thus *The Labour Gazette*, November, 1949:

The difficulties encountered by unemployed older workers in their search for jobs was one of the more serious employment problems in Canada before World War II. During the past decade, this problem has been obscured by the general shortage of labour. It can be expected to re-appear, however, as more normal employment conditions return. In fact, it is a problem which may grow increasingly serious in the future as a larger and larger proportion of the Canadian labour force becomes composed of workers more than 45 years of age.

7. Clearly, the position of the worker in his sixties is far more serious than that of the worker in his mid-forties. Yet there is that long span from 60 to 70 which must now somehow be got through (assuming survival) before the worker, or the worker and his wife, can look forward to a bare modicum of assistance for the balance of their days. This position is supported by the Bank of Nova Scotia in its *Monthly Review*, February, 1950:

The constant technological changes characteristic of modern industry and the reduced emphasis on skill and craftsmanship have tended to squeeze out the older worker. The movement to crowded urban districts from the farm, where the old could make themselves useful even to an advanced age, has reduced their opportunities for usefulness in the family and often makes it difficult to find living space for them. The financial burden of caring for aged parents is heavier, since it must be shared among a smaller number of children than in the days when families were larger. The problem of older people has thus arisen not only because there are more of them but through broad social and economic changes.

8. This situation is true even where the retirement age is less than 70. Thus Mr. Louis I. Dublin, Second Vice-President and Statistician of the Metropolitan Life Insurance Company, found that large numbers of Americans were in economic distress even though in the United States old age security legislation makes 65 the age of eligibility. In an address before the New York Chapter of the Chartered Life Underwriters on April 7, 1947, he stated:

Yet, in spite of these provisions, made possible by official and private old-age plans and by personal thrift, a large fraction of older people—namely, close to 40 per cent—suffer from economic hardship under present conditions of high living costs.

9. But it is not necessary to go abroad for such statements. A booklet published by the Annuities Branch of the Department of Labour contains the following statement:

If you are young, sixty-five may seem too far away to think about.

But, when you consider *approximately 45 out of every 100 average Canadian men and women starting out in life at 25 are dependent at 65*, you will realize the importance of making provision for your old age without delaying another day. (Emphasis ours.)

10. The Congress is informed that these particular figures may be out of date. It believes, however, that in general the statement holds good. This is amply borne out by information already provided to this Committee. At September, 1949, of a total of 265,372 Canadian old-age pensioners, 194,551 or 73.3 per cent were receiving the maximum pension available under the Act. The latter figure would undoubtedly be higher but for the unduly strict interpretation of the regulations under the Act by the Maritime Provinces.

11. Age 70 is thus too high in terms of employment opportunity and the degree of indigence or near-indigence among the aged. It is also too high by comparison with the retirement age of countries comparable to Canada in

industrialization and modes of living. The following data have been compiled from *Social Security Legislation Throughout the World* published by the U.S. Federal Security Agency:

Country	Year Legislation Introduced	Retirement Age	
		For Men	For Women
Australia	1909	65	60
Belgium	1924	65 for wage-earners irrespective of sex; 65 for men and 60 for women salaried employees	
Denmark	1891	65	60
France	1910	60	60
Great Britain	1908	65	60
Netherlands	1913	65	65
	1898	60	60 Old Age (means test)
New Zealand	1938	65	65 Super-annuation
Norway	1936	70	70
Sweden	1913	67	67
United States	1935	65	65

12. It may be seen from the foregoing that only one country—Norway—has a retirement age equal to Canada's and only one other—Sweden—has an age less than 70 but more than 65. (Other countries in Europe and South America were not included, because there might be some doubt as to their comparability.) It should be added that all of these countries have more other social security legislation than Canada.

13. The maximum pension payable under the Act is \$40 a month. The Congress does not propose to labour the point that this sum is not enough to maintain life in comfort and decency. It cannot be justified by any standard of justice, humanity or social welfare. It is an outrageous pittance to offer to Canadian citizens at a time when the national income is nearly 13 billion dollars and when Canada's productive capacity is higher than at any time in her national history. It might be far more humane to club our aged to death, as in more primitive cultures, than to condemn them to the barren existence of miserable back rooms, shabby clothing, bad food and indifferent care.

14. What makes the present pension Act all the less defensible is the means test attached to the eligibility requirements. It is not enough to have survived to 70 or to have made a useful contribution to Canada's well-being over a long period of years. Indigence must be proved as well. Over and above the \$480 maximum allowed by the Act, the pensioner may be in receipt from other sources of not more than an additional \$120, making a total of \$600; for a couple on pension, pensions and private means may total \$1,080. The conclusion is inescapable that, far from encouraging thrift, the present Act is an inducement either to save no more than will produce an income of \$10 a month or to employ devious means for hiding private income above the \$10.

15. Although there is only the single federal Old Age Pensions Act, its application varies from province to province and has resulted in marked inequities between the pensioners of one province and another. The document on *Canada's Old Age Pensions Program* prepared by the Department of National Health and Welfare makes this clear. The following comparisons are taken from it:

Values Placed Upon Free Board and Shelter for Purposes of Calculating Income (Single Pensioner) March, 1950

Alberta	\$180
British Columbia	180
Manitoba	125

New Brunswick	210
Nova Scotia	210 or less
Ontario	300
Prince Edward Island.....	300
Quebec	330
Saskatchewan	180
Yukon	360
Newfoundland	240

16. The document goes on to state that

On the basis of the various provincial rates set forth in this chart, a pensioner with no other assets or income, living with his son and receiving free board and lodging, would be eligible to receive a pension of \$475 yearly in Manitoba, \$420 in Alberta, British Columbia and Saskatchewan, \$390 in New Brunswick and Nova Scotia, \$360 in Newfoundland, \$300 in Ontario and Prince Edward Island, \$270 in Quebec and \$240 in the Yukon Territory...

17. Similar variations exist with regard to assessing the income value of real property and in other regards.

18. One result of this is that two pensioners in similar circumstances may receive substantially different amounts solely because they live in different provinces. This is manifestly unfair and inequitable. Another is that there have been set up eleven jurisdictions in a matter of national concern where there should be only one. An analogous situation would be to permit the provinces to establish their own standards in the determination of right to benefit under the Unemployment Insurance Act.

19. There is no need to go into further details about the operation of the means test. It all amounts to this: that the Act is a modern equivalent of the old poor laws; that there is an undesirable stigma of indigence attached to the recipients of pensions; that would-be pensioners and their children are subjected to a sort of scrutiny which is demeaning, intrusive and damaging to self-respect; that a lifetime of honest if not lucrative toil is rewarded by a pittance hedged about with encumbrances; that many who need assistance are prevented from getting it. To call this "old age security" is a misnomer of the worst sort.

20. The Canadian Congress of Labour believes that Canadians should be enabled to regard old age pensions as a right regardless of means. It finds itself in good company in this respect. In his famous report on *Social Insurance and Allied Services* in 1942, Lord (then Sir William) Beveridge stated:

Any plan of Social Security worthy of its name must ensure that every citizen, fulfilling during his working life the obligation of service according to his powers, can claim as of right when he is past work an income adequate to maintain him. This means providing as an essential part of the plan, a pension on retirement from work which is enough for subsistence, even though the pensioner has no other resources whatever; some pensioners will have no other resources. It means also providing a pension *which is not reduced if the pensioner has resources*. . . .

21. Again it is not necessary to go abroad to justify the abolition of the means test. In the *Proposals of the Government of Canada*, August, 1945, at the Dominion-Provincial Conference on Reconstruction, the Government's position was stated as follows:

The principal feature of the proposed National Old Age Pensions is the elimination of the means test after reaching age 70, regarding this as unsuitable for the oldest group in the community over 80 per cent of whom are not in fact capable of supporting themselves in useful remunerative work. Payment of pensions as of right to people of this age offers

the best kind of economic security. It removes the fear of destitution much more certainly than any other method, and relieves old people of the necessity of seeking work, or of endeavouring to keep on working in unfavourable circumstances and beyond the age at which they should be able to retire, without dependence on charity or burdening the family. In addition to providing a minimum subsistence for those with no other resources, this system would enable other persons with moderate private savings to retire from active work sooner, or in more comfort, than would otherwise be possible.

22. The Congress therefore believes that the means test should be abolished forthwith, the Dominion assuming the whole cost of the scheme and the whole administration. (This would obviate the necessity of securing the consent of the provinces.) The qualifying age should be reduced to 65, and the pension should be at a flat rate of \$50 a month.

23. Much ado has been made about the cost of such a program. The Minister of Health and Welfare, on March 10, last, told the House of Commons that it would cost, in 1951, \$660,840,000. This, however, would not be the net increase in the charge on the Dominion Treasury. Against it must be set a number of items.

(a) In the present fiscal year, Dominion expenditure under the present Act is estimated at \$103,626,000. For the calendar year 1951 it will certainly be higher, probably at least \$110,000,000.

(b) Some of the extra cost could be recovered by eliminating the special income tax deduction of \$500 now granted to taxpayers of 65 and over, leaving them with the same exemptions as other people.

(c) A further amount would be recovered by the normal income tax on pensioners well enough off to pay income tax.

24. The Congress is unable to say precisely what these offsetting items would amount to, but it seems safe to assume that the net new charge on the Dominion Treasury would be of the order of \$500,000,000, rather than \$660,000,000.

25. This is still a substantial sum. But it is not a large proportion of a national income of \$13,000,000,000 or so; less than 4 per cent. There is no question that the Canadian people can afford it if they really want to, and there is no use thinking this job can be done on the cheap. Either the aged are entitled to a decent share of the national income or they are not. If we really believe they are, then we must be prepared to pay for it. How much we are paying now through community chests and the like, nobody knows, but it must be a sizable amount. With a decent pension, much of this could be saved.

26. The Congress is aware that the proportion of aged people to the total population is increasing, and that the costs of any pension scheme are therefore bound to increase also. But so is the national income, and with rapid technological progress it should increase very much faster. To doubt this is surely to confess that the future of our economy is hopeless, and our struggle to maintain a free society doomed to failure.

27. How can we raise an extra \$500,000,000? There are various possibilities.

(a) Putting taxes on corporation incomes back where they were during the war would bring in well over \$300,000,000.

(b) An average increase of 25 per cent in the present rates of personal income tax (so that a taxpayer now paying 16 per cent of his income would pay 20 per cent) would bring in over \$125,000,000. This should, of course, be

graduated, so as to bear most heavily on those best able to pay. Such an increase would still leave personal income tax well below wartime levels.

(c) Income tax could begin at a lower level for the specific purpose of financing old age pensions. The Congress would oppose a lowering of the exemptions for ordinary revenue purposes, but for this specific purpose the case is different.

28. Assuming the establishment of basic old age pensions as of right, the Congress believes that the next logical step is a scheme of contributory pensions such as exists in many countries today, notably in the Commonwealth countries and in the United States. Such a scheme should be universal in its application; contributions should be graduated on the basis of income.

29. The question arises whether benefits should be similarly graduated or be a flat sum. The latter clearly has administrative advantages and would be less costly. But there is one important disadvantage which diminishes its value in the eyes of the Congress. A flat sum benefit would tend to be tied to the income of the lowest income groups. Better paid groups would thus receive pensions disproportionate to their incomes at retirement and would face an unduly drastic cut in living standards. It would be far more equitable to base pensions on contributions, as in the case of unemployment insurance, even at the risk of higher administrative costs.

30. The Congress' position, then, is a basic non-contributory pension as of right supplemented by a contributory pension scheme on a graduated basis. Any contributory scheme, however, will for the first few years of its existence at least be faced with the problem of the older contributors. No matter when the scheme is inaugurated there will be some hundreds of thousands of Canadians who will be too old to build up adequate, if any, pension rights before retirement. The basic pension plus the contributory pension may together be insufficient for a variety of reasons. The Congress therefore believes that assistance on a means test basis should buttress the pension program. A means test would be justifiable under these circumstances since the foundation for a minimum of subsistence would already be available; it would merely serve to round out a pensioner's provable needs. Over a period of years, the means test assistance would dwindle to a relatively low figure and stabilize itself there.

31. There is one further problem with regard to the basic pension which this Committee should consider. That is the tendency for the pension to remain fixed for substantial periods of time. Important economic changes may take place, sometimes rapidly, critically affecting the value of the pension, but it will remain stable or change in amount only slowly. Pensioners thus find themselves in a position of economic anachronisms, as it were. A sliding cost of living bonus payment has been considered, but this is open to several objections. One is the basic objection to any index which represents only an average, and an average based on a rigid pattern of consumption. The main objection, however, is that such a bonus has the effect of forever freezing the pension itself, tying the beneficiary to a standard of living which may no longer exist. In the case of an expanding economy such as the Congress believes exists or could exist in Canada, this has the effect of depriving our senior citizens of their rightful share in Canada's increasing wealth. While productivity is difficult to measure, the skill in measuring it has developed considerably and a more accurate yardstick is becoming available. At any rate, there is no disputing the fact that productivity has been going up and it is generally assumed to average around two per cent a year over a long span. The Congress believes that it would be safe to fix the increase in productivity arbitrarily at two per cent and give to pensioners a bonus of two per cent a year each year on a cumulative basis, on

the basic non-contributory pension. This would provide pensioners with some assurance that they are not being left behind as the country moves forward. It would have the further important effect of enabling the purchasing power of a substantial section of the population to keep pace with the volume of goods and services being made available.

37. There are two features of the Congress policy which should be added to the foregoing. One is the demand that private schemes be non-contributory in character. The other is that the administration be shared equally by the employees through their union and by the management.

38. It might well be asked why the Congress insists on non-contributory pensions under collective bargaining when it advocates a contributory public scheme. The Congress' position is as follows. Pension contributions by the employer are merely a deferred wage payment; the same sums could just as easily go directly into the pay envelope. They are liable to be terminated through bankruptcy or weakened by lack of funds. Also there are invariably strings attached to company schemes: eligibility qualifications, past service benefit limitations, late vesting, and so on which tend to tie the employees to the particular employer or to limit pension rights. The employer, rather than the community, gets the benefits which accrue from the introduction of a pension scheme. A public scheme, on the contrary, embraces the whole population of working age and has the resource of the country behind it. The pension right is readily transferable from employer to employer (like unemployment insurance) and carries full vesting from the start. It provides the whole community with a necessary form of security and the whole community reaps the benefit. The Congress does not believe that the employee who does not contribute is any less interested in his pension. Nor do a good many employers. The government survey already referred to found some 244,000 employees covered by non-contributory schemes.

39. Since the employees are bound by the terms of the pensions schemes, since these schemes become a condition of employment, and since they are actually a form of wages, the Congress is convinced that they properly fall within the area of collective bargaining. By the same token, they should be administered jointly in the same manner as the collective agreements which provide for their establishment. Otherwise, a major condition affecting the employees is removed from the scope of union-management relations and is placed unequivocally in the hands of the employer. This is undemocratic and makes for bad industrial relations. The Congress' policy calls for the establishment of Boards of Trustees composed of equal numbers of union and management representatives together with an impartial chairman. These Boards would not only be the custodians of the funds made available for pension purposes but would purchase the pensions called for, adjudicate appeals, authorize payments as they came due, hire consultants whenever necessary, keep the plan under constant review and evaluate experience of the plan as it develops.

40. There is in Canada one major agency which will underwrite pension plans. That is the Annuities Branch of the Department of Labour, operating under the terms of the Government Annuities Act. The Branch is staffed by competent and zealous officials, and, generally speaking, a Government Annuities scheme is recognized to be as good as, if not better than, any obtained elsewhere in terms of administrative costs, guaranteed returns and necessary safeguards in the interest of the beneficiary. Ordinarily the Congress would be disposed to recommend the Annuities Branch to its unions as the vehicle for pension administration were it not for certain unfavourable features of the Annuities Act. These are:

(a) The Act does not make it possible for a Board of Trustees as contemplated above to enter into a contract with the Crown for the purpose of providing

annuities to the employees of a particular firm. The Act provides that the employer alone may enter into such a contract on behalf of his employees.

(b) There is a maximum pension of \$1200 a year beyond which the Annuities Branch will not write a pension contract. This necessitates supplementary contracts with other agencies.

(c) There is no cash rebate privilege on the amount of vested right if separation takes place before retirement. This removes the element of choice which an employee should properly have. (The employee must accept a paid-up annuity for his vested right, payable at his normal retirement age.)

(d) The Act and the regulations under it are unnecessarily restrictive and rigid. Thus supplementary disability pensions may not be written into an Annuities Branch contract.

41. For all these reasons, the Congress believes that the Act should be amended to bring it more into harmony with current conditions. Better still, the Congress would advocate the transformation of the Annuities Branch into a Crown Corporation with sufficient flexibility of operation to make possible rapid adjustment to new trends. This would, of course, require the repeal of the present Act and the enactment instead of legislation establishing the Crown Corporation and outlining its functions in fairly broad terms.

SUMMARY AND CONCLUSIONS

42. The Congress' policy therefore is: (a) a federal public, universal, non-contributory pension of \$50 a month at age 65; (b) a federal public, contributory scheme with graduated contributions and benefits; (c) private pensions jointly administered by employers and unions; (d) public assistance where the pensions are for any reason inadequate.

43. Old age security is one of the most urgent problems confronting the present Parliament. It is a problem which must not be set aside. Its solution must not be delayed. Neither Government nor Parliament should allow itself to be frightened by the magnitude of the task. Canada can show no greater faith in its future than by assuring a safe and contented future for its citizens in their old age.

Respectfully submitted.

32. To recapitulate, therefore, the Congress submits that:

(a) The present Old Age Pensions Act is unsatisfactory in its standards and application;

(b) A basic pension of \$50 a month as of right should be provided to every Canadian at age 65;

(c) A contributory pension scheme, with graduated contributions and benefits, should be established to supplement the basic pension legislation;

(d) Assistance, subject to a means test should be provided for those who are unable to build up adequate pension rights;

(e) The basic pension should be increased by a productivity bonus of two per cent per year on a cumulative basis.

INDUSTRIAL PENSIONS

33. As this Committee is undoubtedly aware, industrial or private pension plans have recently become a focal point for collective bargaining. Organized labour is now taking the initiative in seeking the establishment of pension schemes in industry through negotiations, as with wages and other conditions of employment. Not unnaturally, there has been a good deal of publicity attendant on this new trend in industrial relations since a good many economic and social factors are involved.

34. It should be made clear that industrial pensions are not an invention of the trade unions. In Canada, most of the present plans in effect were initiated unilaterally by the employer. Some of them date back a good many years, although most were introduced during the last few years. A government survey shows that in 1947 there were almost 630,000 Canadian employees covered by private pension plans (*The Labour Gazette*, June, 1949). This figure has undoubtedly grown since then. Of the 3,539 plans under which these employees were covered, 162 were inaugurated before the first World War; 711 between 1919 and 1937; and 2,533 between 1938 and 1947 (no information was available for the remaining 133). Interest in pension plans has thus been growing and they are obviously regarded by management as a legitimate, desirable and (presumably) profitable activity.

35. Employers have, of course, varying reasons for establishing pension plans for their employees: to provide older employees with security, to obtain good public relations for the firm, to reduce labour turnover, to provide channels for promotion and so on. A not unknown reason has been to thwart union organization or otherwise to bottle up legitimate grievances.

36. The Congress believes that the best pension protection for the workers of Canada is through the type of old age security program it has outlined in the preceding section of this submission. Under such a system, private pensions would be a useful supplement for long-service employees and would be largely limited to fulfilling that purpose. The Congress and its affiliated unions are now pressing for private pensions for two major reasons: (1) the absence of adequate public old age pensions and (2) the belief that employees have an obligation toward their employers that goes beyond mere payment of wages. The Congress' views are well expressed by the Steel Industry Board appointed by President Truman in 1949 to inquire into the pensions and welfare dispute between employers in the American steel industry and the United Steelworkers of America. In its *Report to the President of the United States on the Labour Dispute in the Basic Steel Industry*, September 10, 1949, the Board stated.

Social insurance and pensions should be considered a part of normal business costs to take care of temporary and permanent depreciation in the human "machine", in much the same way as provision is made for depreciation and insurance of plant and machinery. This obligation should be among the first charges on revenues . . . (p. 8)

So long as Government does not provide security at all, we believe that industry should.

So long as Government fails to provide an adequate amount, industry should take up the slack.

It is inevitable that thousands of private insurance and pension funds now in existence should multiply in number and amount. It should be a cause of great concern that, as a result of the growing search for security, there is growing up haphazardly all over the country this large number of unequal and unco-ordinated insurance funds, with little or no public control.

No thoughtful citizen, interested in the human resources of our Nation, can expect labor to wait patiently by until Government makes up its mind. Workers are entitled to security in the meantime—with the thought that, if Government should finally decide to provide adequate security through a Nation-wide compulsory plan, changes in private plans could be made . . . (p. 62)

No matter what the source is of modernization and expansion funds, however, the steel companies have, with some exceptions, overlooked the fact that the machines and plant on which the industry has prospered, and on which it must depend in the future, are not all made of metal or brick and mortar. They are also made of flesh and blood. And the human machines, like the inanimate machines, have a definite rate of depreciation. Of all our natural and national resources, our human resources are the most precious and useful, and should be most carefully hoarded and protected. These human machines need the same kind of treatment for depreciation and disability that the other machines are getting. Earnings are being used for re-building, replacing, and for maintaining the efficiency of plant; a part of these earnings should be used to take care of wear and tear and maintenance of the human machines in industry—the workers. . . . (p. 64)

The CHAIRMAN: I shall now call on Mr. Conroy.

Mr. Pat Conroy, Secretary-Treasurer, Canadian Congress of Labour, called:

The WITNESS: Mr. Chairman, Senator King and honourable members of the committee, associated with me this morning are Dr. Eugene Forsey and Mr. Andy Andras. We have already sent a copy of our presentation to each member of the committee and that should render unnecessary any further explanation of it. We presume you have given it some study consistent with the time you have had the brief before you. My remarks this morning will be very brief and to the point, out of consideration for the obvious fact that you gentlemen have a lot of stories to listen to and only so much time to do it in. I think we have an obligation to the committee to come to the point as quickly as possible. For that reason I am only going to submit our reasons for submitting the brief.

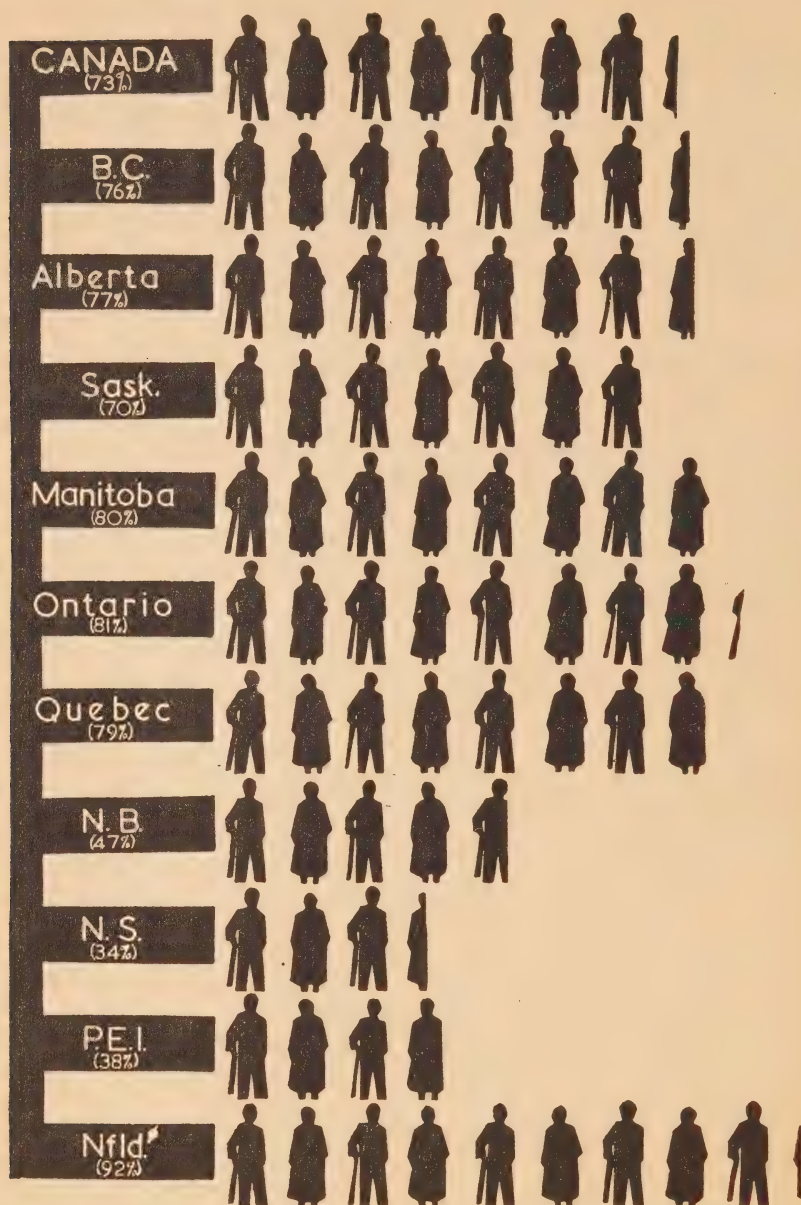
First of all, as a national organization with membership in every part of the dominion, including Newfoundland, we believe that provision for the aged people of this country is of such national concern that as a national organization we have an obligation, not merely to our members, but as one of Canada's institutions, to submit the best opinions we have been able to gather to the end that we might make a small contribution to the solution of what is, undoubtedly, one of Canada's outstanding problems.

In submitting our brief to the committee we do not, of course, suggest that it is a perfect document. It comes from human beings in our organization, just as other presentations will come from other organizations; but it is, in our estimation, the best solution or series of solutions which we can think of that at least will provide a reasonable answer to what we think is, perhaps, one of the country's outstanding problems.

I do not think it is necessary for me to say anything further because we have explained our position in our brief. We wish to assure the joint chairmen and the members of the committee that we shall do our very best to answer any questions directed to us to the best of our ability. I think that is all I have to say at the moment, Mr. Chairman.

The CHAIRMAN: Now, have the members any questions to ask on the Canadian Congress of Labour's proposal that there should be a federal, universal, non-contributory pension of \$50 a month at age 65?

Almost 3 out of 4 old age pensioners are virtually destitute*



*Qualified for maximum pension, Sept. 1949.

†Maximum pension, \$30 monthly.

Lower percentages in the Maritimes are due not to larger incomes of the aged, but rather to the harsher application of the means test by provincial authorities.

Old Age Pensioners—

WHERE THEY LIVE AND WHAT THEY GET

A pensioner with
no assets or income,
living with a son and
receiving free board and
lodging, would get an annual pension of:

Manitoba	\$475
British Columbia-Alberta-Sask.	\$420
New Brunswick-Nova Scotia	\$390
Newfoundland	\$360
Ontario-PEI	\$300
Quebec	\$270

Source: "Canada's Old Age Pensions Program", published by the Department of National Health and Welfare.

By Mr. Croll:

Q. One matter occurs to me, Mr. Conroy, and I wonder if you have given it thought. Have you thought about the value of that pension—we will take it at your figures, or any figure you like, \$50 a month at age 65—the value of that \$50 in the city, in a rural area and in a semi-rural area?—A. I believe, Mr. Croll, I have read some evidence on this from different sources within the last several months and we believe that not only in the pension question but also in the wage question, in bargaining for wage contracts, that it does arise from time to time. That is, the question as to possible differentials between town and country, cities, towns, hamlets and what not. But we have found in trying to examine the whole question that where to some people there may appear to be an unbalance in a number of small towns against the cities, when fully examined it usually works out to a series of cancelling out factors which pretty well bring a balance to the whole situation as between the town and the country. Further to that, since this is a national question

affecting the basic living in town or country, I believe that whatever small margin may really and truly exist of advantage to one section of the country particularly, as the case may be, that from the standpoint of national satisfaction, bringing satisfaction to a greater number of people, that more benefit would come to the whole nation by having a static pension for all the people subject to benefit under the pension regulations.

Dr. FORSEY: May I add something? From what figures we have been able to find the cost of food in small towns and large cities does not vary very much across the country. I think I saw some rather careful figures on that subject the other day, but I cannot give them from memory; I think they will be available from another body at some future sitting of this committee.

Mr. BROWN: Would not the agriculturist grow a great deal of his own food?

Dr. FORSEY: I was speaking of the small places; small towns and larger cities where the difference is not very great. Of course, the cost of clothing would not vary very much. My impression is that the chief difference—speaking again simply of urban centres—would be in the cost of housing; that is a matter which will have to be dealt with under a housing program rather than under an old age program. If we were proposing a pension of \$100 a month or something like that, you might say that this is a more important factor, but we feel that the figure of \$50 is a moderate one, and this factor of housing cost which does vary considerably from small places to large places had better be dealt with under a housing program.

Mr. CROLL: Mr. MacInnis and I were going to ask the same question. In one of the briefs presented by Newfoundland, the Minister of Welfare for Newfoundland made this very pointed observation, that in Newfoundland a man and wife each drawing \$40—the limit—they will receive \$80—would receive an amount that is completely out of proportion to the average earnings there and the average living standards. He made quite a point of that, speaking of some sections of Newfoundland. Now, I thought that would relate itself to some other parts of Canada. What do you say about that, Dr. Forsey?

Dr. FORSEY: As a Newfoundlander I am anxious to see my fellow countrymen get all they can. Also, I am inclined to think that it is a case of "*de minimis non curat lex*"—

An Hon. MEMBER: Watch your language, please.

Dr. FORSEY: There are plenty of lawyers here who know their Latin better than I do. However, that is a small factor, relatively small in the situation; and again we feel that our figure is a moderate one. Some of these people have it coming to them. They have been living on a shoe-string all their lives and if they are going to get a little extra nobody should begrudge it to them.

The CHAIRMAN: Are there any further questions on this subject?

Mr. SHAW: My question is closely allied to this.

The CHAIRMAN: On this subject I would have one question. In many of the areas which are being settled the income of the people,—quite a number of the people—and the saying "*de minimis non curat lex*" would not apply—is well below \$1,200; and according to your proposal a married man of 65 and a woman of 65, a couple, would get \$1,200 a year as a pension, is that correct?

Dr. FORSEY: Yes.

The CHAIRMAN: They would get very much more than they ever earned in their working life. What do you say to that?

The WITNESS: Well, would it be such a terrific crime on the part of the government of Canada to give elderly people who have been living this close to the poverty line something such as we suggest? As a Canadian concept, can

we bring ourselves to visualize that for the first time in Canadian history these people should be taken out of a purely subsistence level to come even remotely close to the boasted and vaunted Canadian standard of living? I think it would be a great credit to the Canadian people and to the Canadian government if we could lift these people out of the morass they have been in even if we bend a little backward to do it. I am sure it cannot be the pride of any Canadian from Victoria to Newfoundland to know that we have such conditions prevailing in any part of this country, and those conditions call all the more for necessary action to remedy them.

The CHAIRMAN: I agree with you there, that we should try to remedy these conditions; but is it a good remedy to give the man more when he retires than he earned before? Should we not try to give him more in his productive years?

The WITNESS: Let me deal with this as an Irishman is supposed to deal with it. I do not think this points up the question as to how much more money someone is going to get or may get in the future. I think it is automatic. You must bring the two things together that where someone out of the public purse or through contributions may seem in the future to be possibly securing a little more than a measure of justice based on their previous standards, to me it does not point up that they are securing more than justice; it points up tragically, I would say, that historically they have received less than justice up until now. Now is the time to remedy that situation. That is my position.

By the Chairman:

Q. Is not your proposition a pension of \$50 a month? Is not that your proposition for a basic pension?—A. Right.

Q. To which additions would be made?—A. Where circumstances warranted.

Q. What do you mean by this pension? Is it a minimum, is it an average, what is it based on?—A. I believe it is a minimum pension as of right.

Q. And in your opinion this minimum would be sufficient for the bare necessities of life everywhere in Canada?—A. That pension may vary from time to time as living cost fluctuations in our economy may dictate but we believe at the moment that we must strike at some round figure that seems to be reasonable to constitute a minimum pension. I presume that parliamentary committees will be meeting from time to time to review any scheme; to strengthen or delete or take away, as the case may be, where there may appear to be a basis for it; but we say at the moment that we should strike at a reasonable minimum which, in our estimation, would appear to be not so far-fetched at \$50 a month.

Mr. MACINNIS: Your position is that being less than it is would not provide the necessities of life?

The WITNESS: I think we might go further and say that even at \$50 a month nobody is going to indulge in any luxuries.

The CHAIRMAN: It would provide the bare necessities?

The WITNESS: The bare necessities, yes.

By Mr. Shaw:

Q. Mr. Chairman, I was going to refer first to the statement made by Dr. Forsey, namely, that there is not a great variation in the general cost of living, apart from that which is attached to housing, as between urban and rural communities. Yet, I notice, you have advocated public assistance where such for any reason may be required. Now, would that be an assumption that there may be quite a discrepancy as between the cost of living in urban areas as compared with a rural area, or do you look upon that as a valve where over the whole scheme you may from time to time find it necessary to grant an

upward revision in pension? Does this section principally deal with variation in the cost of living as between these areas?—A. No, it has nothing to do with that. It has in mind that from time to time we will develop economic situations in the country.

Q. Over the whole country?—A. Over the whole country. Let us see what happened in some other countries and hope that because of the common sense of Canadians that will not happen in Canada; that prices may shoot up, and out of sheer necessity and because of circumstances some adjustment may be required. We believe in some provision in the regulations that in the event of such a situation developing there will be supplemental assistance to the basic program. It does not have anything to do with differentials between town and country.

Q. How is this \$50 determined by your Congress? Why is it not \$40 or \$60? What is it based on?—A. I think we have to fall back on government standards of say, roughly, \$40. We believe \$40 under present circumstances is just not enough—at least based on the complaints we have received from many of our people across the country. The general indication is that there must be something paid beyond \$40, having in mind the very important fact—in fact it is almost all-important—of cost to the country. We have tried to measure the two things: first of all, what appears to be the inadequacy of the present amount; and secondly, having in mind the very substantial costs. We have tried to arrive at what seems to be a reasonable figure that will improve present conditions and the same time keep the cost to the country as low as possible. That in brief is the basis of our reasons.

By Mr. Croll:

Q. I would like to ask the witness a question, and I hope he calls on Dr. Forsey for help if he needs it. This is my thinking, and I should like some criticism on it. I would like the witness to say what he thinks of the 1945 government proposals in the light of present-day costs. I realize the cost-of-living index was then 120 and it is now 164. I would like some criticism of the 1945 proposals from the witness or from Dr. Forsey.—A. Is that the dominion-provincial conference?

Q. Yes, 1945.

The CHAIRMAN: The green book.

The WITNESS: I must say this is the first time that I have had such a frank acknowledgment from the government side of the House that they were proposals. I am very happy about it, because here and there I have listened and read of some rather contradictory statements of the position.

The CHAIRMAN: We do not have to go into that.

The WITNESS: However, we believe that living standards have substantially advanced since that time.

Mr. CROLL: Yes, I took that into consideration.

The WITNESS: And because of that I think it also requires a substantial advance in pension. That is briefly our position. If Dr. Forsey wishes to supplement that he can go ahead.

Dr. FORSEY: The cost-of-living index has gone up about one-third. That would mean that the \$30 which the government was proposing then would have as its present equivalent something in the neighbourhood of \$40; but as Mr. Conroy says, we do not think \$40 under present conditions is adequate.

Mr. CROLL: Is that your only criticism of that proposal?

Dr. FORSEY: No, my recollection of it—I am speaking from memory—is that the proposal was to give \$30 a month at age 70 as of right, but for the people between 65 to 69 it would be on an assistance basis. Well, as you can

see from our brief we are proposing that it should be given at 65 as of right, and not at age 70. Now, there I should say are the two basic differences between the government proposals and ours with regard to this flat rate non-contributory pension. The government said \$30, which would now be \$40 allowing for the increase in the cost of living. The government said age 70 and we say age 65; and in addition we propose that the flat rate pension should be supplemented by other measures.

Mr. CROLL: Those are the three criticisms?

Dr. FORSEY: That is all I can think of. I do not know what you may have up your sleeve.

Mr. CROLL: No. As a matter of fact I have been looking forward to an opportunity of getting an answer either from Mr. Conroy or from you, because I have a high respect for your understanding on this problem, and since my thinking is along your line I wanted your criticism of it, and we agree—I should not say that we agree—you have made an analysis of the cost of living, and you say the criticism is on age and additional assistance.

The WITNESS: Let me deal with the age factor.

Mr. CROLL: It is not a matter of dispute. You say that is the criticism of it. Some of us may agree on that. It is not a matter of agreement or disagreement, but an additional criticism; and I want constructive criticism. You suggested further assistance.

Dr. FORSEY: I think that is, perhaps, a trifle ambiguous. That is just in addition to the flat rate pension and contributory pension. Then there is a section of our brief on industrial pensions, and then there is the assistance program which would be necessary to look after the ragged edges which might exist even if we had excellent flat rate, contributory and industrial pensions.

Mr. CROLL: Those are the answers I want; and this will help our thinking.

The CHAIRMAN: Mr. Brown, are you going to speak on the same subject?

Mr. BROWN: I assume it is the same subject.

The CHAIRMAN: Are you speaking on the same point?

Mr. BROWN: Not on this particular point.

The CHAIRMAN: Are there any more questions on this particular point?

Mr. BROWN: Yesterday we wandered around so far that I had two questions I did not get a chance to ask, and I do not know where we are on the \$50 matter.

The CHAIRMAN: All right, go ahead.

By Mr. Brown:

Q. With regard to this \$50 a month pension, I understand from your brief that would mean an additional cost of \$500 million.—A. Roughly that.

Q. That is in addition to what we now pay out. Do I understand that it would be a contributory plan?—A. No, it would be as of right.

Q. It would not be a contributory plan?—A. No.

Q. What part would be the contributory plan?

The CHAIRMAN: That will be the second phase. That would be over the \$50 a month basic pension. I believe that first we should deal with the basic pension.

Mr. BROWN: I agree with you, but the two of them seem to be tied up together.

The CHAIRMAN: No.

Mr. BROWN: The \$50 pension would then be an additional charge on the treasury of around six hundred and some odd million dollars; is that right?

The CHAIRMAN: Yes. Would you look at page 8?

Dr. FORSEY: It would be around \$500 million, according to our calculations. That is a rough figure. There are certain things we are not in a position to measure precisely, but we have given our calculation as best we could.

By Hon. Mr. Fogo:

Q. Mr. Brown has touched on a matter I was going to ask about, namely with regard to the calculation of the \$500 million additional that would be required to provide this non-contributory pension of \$50. I notice in the brief that some suggestions are made with regard to the sources from which that might come, and those involve a general increase of taxation pretty well across the board, and include a reduction of certain income tax deductions from persons who are now over sixty-five. The question I was going to ask Mr. Conroy was this: from your knowledge and experience, which I know is very wide, what would be the reaction to an increase in taxation as you have indicated? Do you think it would be well received by the taxpaying public, which is the whole public in this country? It would be an additional amount required by taxation of \$500 million, on a budget which I am told today has reached pretty large proportions?—A. I think there are two answers and I think perhaps in inverse ratio they are both positive, curiously enough. I think we could probably have very vigorous unfavourable reaction from those in the higher income brackets who are being asked to pay a substantial amount of it. We take that for granted—and I do not say that with disrespect to anyone.

Q. Well the base is broader at the bottom; the larger amount comes from those who are at the bottom rather than at the higher levels of income?—A. I will come to that.

We believe, based on the history of Canada, that the people with the most money and with the largest incomes, and who can afford to pay into such a pot to provide pensions for the aged people, will adhere to their traditions in this respect and raise more noise with the Canadian government than any other section of the population would. As to the broad base of the people—the average taxpayers—while we may differ with the government on a number of matters, there is one thing on which we do agree with it and particularly with the Minister of Health and Welfare, and that is if we are going to give a decent pension to the aged people we must be prepared to pay for it.

We cannot fool around with this problem if it is as serious as all of us believe it to be, and if we believe it is an investment in the future of this country. Consequently, I think we have got to be prepared to assume a collective responsibility to see that the investment is maintained, and we have to pay for it.

Q. That is we cannot have it both ways?—A. I do not think so.

The CHAIRMAN: Are there any further questions on financing the basic scheme?

By Hon. Mr. Fogo:

Q. It may not be relevant but my recollection is, and I may be wrong, Mr. Conroy, but heretofore and in recent years the Congress has advocated primarily a contributory scheme, whereas in this brief the primary emphasis is on a non-contributory scheme; am I right on that?—A. Not essentially so, sir. We are trying to be as realistic as circumstances dictate. For many years we have said to the government of Canada that the time is overdue when we ought to have a contributory system but we recognize that, in the government's wisdom or lack of wisdom, the system has not come into being. You have developed a very large, even extremely large, pocket of people who by no stretch of the imagination could contribute and consequently, as they are non-contributors, the pension must be provided out of general taxation—no matter how it may or may not be

acquired. This large pocket of people will not be able to contribute and for a number of years you have got to provide pensions as of right.

Because of that large volume we do not think you can segregate a pension as of right for that large volume and say to the remaining number that they must get their pension through some other process.

That is the basis of our reasoning.

Q. So I am correct in assuming that the emphasis, in your proposal, is on number 1—the non-contributory general pension?—A. I would say that it is a dual emphasis, sir: firstly, emphasis on dealing with current realities; and secondly, taking a long term view of the permanent development and the permanent needs of this country, we believe that a contributory system is necessary.

Q. Supposing we were in a position of having to elect whether to adopt the general non-contributory or the general contributory scheme, I take it that your view is the non-contributory one should be favoured?—A. As a step.

Dr. FORSEY: May I point out one further fact which, although it does not appear in the brief is this—and I speak subject to correction because I am a layman and not a lawyer—the contributory scheme would involve an amendment to the British North America Act, and, from my knowledge of Canadian history, I have some doubts about the speed with which that process could take place.

Hon. Mr. Fogo: I deliberately did not mention that.

By Mr. Robertson:

Q. I would like to refer to subsection (c) of paragraph 27 on page 8. You say: "Income tax could begin at a lower level for the specific purpose of financing old age pensions." Would you give us your opinion as to what those levels might be?—A. Frankly, no sir; anything we might give at the moment would be a guess.

Q. The present exemption I think calls for \$1,000 for single people and \$2,000 for married people?—A. We frankly have not had time to study that.

Q. It is a very important matter.

The CHAIRMAN: Labour has advocated an increase in the exemptions in late years and, of course, members of the committee would like to know your opinion as to the extent to which we could go in that direction should we agree with you?

Dr. FORSEY: If I may venture to intervene, I do not think it is possible to give any precise figure there unless you know what it is proposed to do in regard to other aspects of financing this program.

We very carefully refrained from saying we specifically favour this, that, or the other thing. We say there are various possibilities. If, for example, the committee in its wisdom decided to recommend that the first suggestion—of raising corporation income taxes—should not be adopted, then it might feel obliged to say that under paragraph (c) the exemption would have to be lowered very considerably. Now we would prefer to have a substantial sum come from the raising of corporation income tax and a less substantial sum come through paragraph (c). Until we had some idea of what was going to be done in the first case or the second case—an increase in the rate of personal income tax—or about the suggestion on page 7 of eliminating the special income tax deduction of \$500 granted to taxpayers of sixty-five and over—until we had some idea of what the total picture was in regard to financing, I do not think that we would be in a position to say whether any particular level was right or not right.

By Mr. Robertson:

Q. Assuming that we do accept your suggestion of putting taxes on corporation incomes back to where they were, and also that we agree to what

you say on page 7, then what would you say about the level of exemption?—A. I think it would be conditioned to the needs of money for your pension.

Q. I think that you, as a leader of a labour group, should have some very pertinent suggestions to give us on that point?—A. It would depend on the income from the four sources.

The CHAIRMAN: Yes, but you have them there.

Dr. FORSEY: It would not be a difficult calculation to make. We have not made it, but it would be a comparatively small amount. The first suggestion would bring in \$300 million according to our calculation; the second would bring in \$125 million; and that leaves a residue of the order of \$75 million to be secured not only from this lowering of the exemption but also from the suggestions contained in paragraphs (b) and (c) on page 7—eliminating the special income tax deduction for people over sixty-five, and the extra amount that would come in from the normal income tax paid by pensioners who were well enough off to pay income tax.

The CHAIRMAN: That is not an answer to Mr. Robertson's question. He assumes that all you say has been accepted and he asks to what extent we should lower the exemptions?

Dr. FORSEY: We have not made the calculation.

Mr. ROBERTSON: Would you say it would be down to one-half of the present exemption?

The WITNESS: I would not want to make a statement now. We would have to make a very careful calculation on it—and we would be very glad to do that.

Mr. ROBERTSON: I think you should furnish that to us in the very near future.

Mr. BROWN: Have we any information as to what we now realize via income tax?

Mr. CROLL: \$630 odd million.

The CHAIRMAN: What is the lowest exemption that you would accept—independent from any calculation—what is the lowest calculation you would agree to?

Mr. ROBERTSON: How far would you go, if necessary?

Dr. FORSEY: I am not prepared to make a statement, in the abstract. Incidentally, the calculation that is desired could be secured very much more easily from the Finance Department, but we would be glad to make the attempt.

Mr. SHAW: I have in my constituency certain labour groups and, knowing the position which they have taken over the past ten years with respect to income tax exemption levels, would the witness be prepared to declare that the members of the Canadian Congress of Labour would favour the lowering of the exemption levels for any purpose?

The CHAIRMAN: If necessary?

Mr. SHAW: I am only speaking because of the correspondence and representations which I have had from the labour groups.

Mr. BROWN: They state here that it would be for pension purposes only.

The WITNESS: We have asked the government over the years, in our annual representations, that the exemption be lifted—that merely confirms your statement.

Mr. CROLL: May I just follow that?

The WITNESS: We are now stating that for purposes of pension we believe that the bulk of our members are prepared to pay for it.

Mr. SHAW: In that way?

Dr. FORSEY: In part.

The WITNESS: In part, subject to the other references in this brief.

Hon. Mr. FOGO: That would not realize enough money.

The CHAIRMAN: Have you any questions on this subject Mr. Fleming?

Mr. FLEMING: I have some questions on the matter of cost.

The CHAIRMAN: Well, we are dealing with the matter of exemptions now.

Referring to page 8, do you have in mind anything like the Australian or the United Kingdom systems of levying a social security tax at a very low level?

The WITNESS: Yes, if we had a social security system in effect.

Mr. MacINNIS: That is the point, exactly.

Mr. WEAVER: I think my question comes at it in a little different way. Here we have a bill of \$500 million which is proposed. I would like to ask the witness, assuming that \$300 million comes from corporation taxes, and \$125 million from income taxes put back to where they were, leaving a balance of \$75 million, would the proportion of Canadian opinion for which the witness speaks be prepared, in his opinion, to carry the balance of the \$75 million—or their share of the load?

The WITNESS: Labour alone?

Mr. WEAVER: The proportion that you speak for?

The WITNESS: We would say that should be carried by the general run of taxpayers. When you talk about the taxpayers in Canada you are not talking about trade unionists, or non trade unionists, you are talking about not only the taxpayers but potential taxpayers.

Mr. BROWN: What Mr. Weaver is trying to ask is what do you think, as a representative of labour, the general taxpayer would consent to?

The WITNESS: Well, there has been a lot of talk in the House of Commons in the last couple of years about the inability of the government to collect taxes from say the farmers of Canada—and I am not using that in any deprecatory sense at all.

By Mr. Weaver:

Q. You mention so far as this load that is to be carried is concerned that you are asking somebody else to carry it?—A. We ask that the whole base of taxpayers in Canada pay that shot; we are prepared to pay our part of it.

Q. Have you any estimate as to what your part might be?—A. I think that would be very difficult and I think that only the treasury board would be able to estimate that figure, based on a calculation from their own figures on finances in this country.

Dr. FORSEY: I am not clear on the question?

Mr. WEAVER: Here we have a load of \$500 million which you propose should be paid by the taxpayers in general? Now there are different groups that make representations to this committee and you do represent a large share of public opinion of Canada—otherwise you would not be here. Are you prepared to take on your share of the load in proportion to the size of the opinion you represent?

The WITNESS: Certainly.

Dr. FORSEY: If we are being asked what proportion of the load would be carried by the 350,000 members of unions affiliated with the Canadian Congress of Labour, I think that the answer is that we do not know. I think you would have to get the figures on wages of the whole lot of them and that it would be a gigantic task, and I defy even the government of Canada to do it.

By Mr. Brown:

Q. You are saying that you are prepared to have the exemption lowered for the purposes of pension and you are willing to go along with the general public provided the funds are allotted solely for pension purposes?—A. Certainly.

Q. Now, I think it would amount to a considerable increase in necessary income tax collections, would it not? We are now getting \$630 million.—A. I do not know that it would, sir.

. Q. You would have to almost double the income tax.—A. If we had reached a saturation point in our ability to collect taxes in this country, it might be surprising how little it might be—but I suggest, with all sincerity, with no reflection on the capacity of efficiency of the treasury to do its job, that we are a substantial yardage away from that saturation point.

Mr. BROWN: You mean the income tax department is not collecting all that it should be collecting?

Mr. CROLL: No, no, he did not say that.

Mr. BROWN: I am only trying to find out.

Hon. Mr. FOGO: The rates are not high enough?

By Mr. Brown:

Q. Do you mean that the rates are not high enough?—A. What I have said is this. Up until now, based on debates in the House of Commons which are largely history, and I am not blaming anyone—

Q. I would not say they were history—we have another word.—A. It is part of the history of this country. The government, through no fault of its own, because we want to give credit to them for trying to do as decent a job as possible, have not been able to reach the saturation point of the collection of taxes from everybody in this country. Consequently, until you reach that, and until you come as close as possible to 100 per cent in tax collection, then I do not think that even the treasury board can compute how much it would affect the taxpayers.

Q. Do you mean "collection" rather than "imposition"?—A. Yes.

By Mr. Fleming:

Q. I will come to this question of cost from a little different angle. Suppose that parliament comes to the conclusion that it is not prepared to increase taxes by \$500 million per year and that we have got to be content to buy something less with the funds available to parliament; and we get down to an examination of the threefold proposal which you have made—\$50 a month as the basic pension at age sixty-five without a means test—where would you begin, within those three points? We will assume that we have got to make a choice among them. In relation to the proposal you put forward, if parliament says that we cannot find all of the money right now—where would you begin? Would you start with the elimination of the means test, an increase in the present basic pension, or a reduction of the age limits?—A. Let us take the last one first. Say that you reduce the age; that will of course benefit a substantial number of people but if, at the same time, the means test is applied differently in different parts of the country or on an over-all basis prevents certain people from getting pensions—even reducing the age to sixty-five without any change in the existing regulations other than that—all that still puts a premium on thriftlessness. It still prohibits inclusion of people who have honestly tried to put by a little money until sixty-five or seventy; and still it continues that comparative disenfranchisement of a large section of our elderly people. If I had to choose within the limits you set I would say that it would be better to abolish the means test.

Q. You make that number one?—A. Of those choices. Retain it at seventy rather than reduced to sixty-five and you still disbar an awful lot of people in this country; but I think the first thing you have got to do is to get rid of the means test.

Q. Which of the others would you put in second place?—A. Age.

Q. And then an increase in the amount in third place?—A. Yes.

Mr. CROLL: Those are the 1945 proposals?

The WITNESS: Do not let me put my signature to the 1945 proposals. You have offered me a set of devil's proposals neither one of which I like but you are asking me; in the event that parliament is as unprogressive as you do not want us to think it is—and, if you put a gun to our heads and say that we have got to take this, then we will take this.

By Mr. Fleming:

Q. It is very helpful to have received that list of priorities but I would ask you now what your views on age sixty-five and what relationship the proposed reduction in age should have to retirement? We have been faced with this question in studying other schemes—as to whether there should be any compulsory retirement provision attached to the scheme, regardless of whether it is contributory or non-contributory? Have you any views to offer us?—A. That is one of our more current problems in negotiating private pensions which have been brought well to the force in the last six or nine months. We believe again, in referring to it as of right whether sixty-five, sixty-four, or sixty-three, is the right age, that it is a matter for argument. However, we believe there should be a specific age which we have thought to be sixty-five as appropriate for receiving pensions either as of right or contributory ones. Nevertheless we do believe that while receiving that pension it might be optional for the individual, consistent with the country's economy at a given time, to retire if he or she so saw fit. For instance, while receiving pension, if that man or woman can make a contribution to the welfare of his country in bringing about greater production and consequently greater wealth, it should be optional with him whether he should be allowed to produce that greater wealth out of which pension funds might be drawn. I do not think there is any scientific answer to it.

Q. So far as your basic universal pension of \$50 a month without a means test is concerned, there is no condition of retirement in connection with it?—A. No.

Q. I may have a similar question on the contributory scheme.—A. We think the large majority of people would be inclined to retire but there are exceptions to that and we think they should be allowed to work if they so desire.

Q. I have a third question about the proposal of a flat universal basic pension. You refer to it being paid on the basis of a purely federal administration because you say if you make it universal and non-contributory you do not need to worry about an amendment to the constitution. There is another angle to that that we have encountered in our study of the Canadian system and of some others, and that is that there has been a suggestion that there will be some room for adaptation to local conditions and some flexibility in your scheme. We have had that suggested as one of the reasons why administration in Canada should be on a provincial basis. Have you any further views to express on that, apart from what is in your brief—particularly in relation to the variation in living costs as between—

Mr. CROLL: He answered that question.

By Mr. Fleming:

Q. Would you not comment generally though on the question of provincial administration?—A. I may say, sir, there is a record established on that,

for what it is worth, and that is in connection with the unemployment insurance—it has a universal yardstick across the country from Newfoundland to Vancouver Island. But even if unemployment insurance has not set a yardstick which we think is a good one from the standpoint of Canadianism as a whole, and going to the point of admitting there must be some margin between different parts of the country, having in mind the size of it and the atmosphere generally in different parts, it is on balance if we are going to make a contribution to the whole Canadian nation, even allowing for the fact there are margins here and there. I think it is in the interests of this country that we do not put a premium on developing what might be termed as first, second, and third degrees of Canadianism. Even if someone might receive small potential benefit, having in mind living costs in certain sections, I think the contribution to greater Canadianism would be of more benefit to the country than would be achieved by playing around with differentials.

Q. Perhaps my question about dominion-provincial administration may be better asked when you come to develop your ideas about the contributory scheme because, as I understand, your flat \$50 pension proposal is designed to avoid any dual administration.

The CHAIRMAN: Mr. Fleming, do you say that on this general non-contributory basis there would not be any need for an amendment to the constitution?

Mr. FLEMING: Excuse me, I did not say that. I said this, harking back to Dr. Forsey's answer, that it was one reason that he put forward supporting the idea of a universal flat rate \$50 pension without a means test.

Dr. FORSEY: It was one, not the one.

Mr. FLEMING: I said one.

The CHAIRMAN: What about page 8, paragraph (c) where you say: "The Congress would oppose a lowering of the exemptions for ordinary revenue purposes, but for this specific purpose the case is different." Do you not think that if you earmarked a special kind of income tax at a lower exemption level for pension purposes, that in order to do it, you would have to obtain an amendment to the constitution?

Dr. FORSEY: We were not proposing to earmark it, and, as I said before, I am at a disadvantage here. I am a layman and there are learned counsel present who could answer that better than I can. I am afraid I must plead ignorance.

The CHAIRMAN: You say that your system has the advantage of avoiding the asking for an amendment to the constitution. I am pointing out to you one feature of your proposal which would call for an amendment to the constitution.

The WITNESS: If you are posing the point that it might be necessary to provide an amendment to the constitution to provide for specific taxation for specific purposes—

The CHAIRMAN: For social service—that was the case in unemployment insurance. I was not a member at the time but Senator Fogo will bear me out.

Mr. BROWN: Is it being said that old age pensions are not provincial matters?

The CHAIRMAN: It is definitely provincial.

Mr. BROWN: Why do you say on page 7 "The Congress therefore believes that the means test should be abolished forthwith, the dominion assuming the whole cost of the scheme and the whole administration."

The CHAIRMAN: If it is on a universal basis it is like family allowances, but, if you have a special tax for the purpose, according to sections 91 and 92 of the constitution, you would have to amend section 91 as you did in the case of unemployment insurance.

Dr. FORSEY: I would say, as a layman, that I do not think so. As I recall it, and I am going to stick my neck out so that the lawyers can chop my head off, section 91(1) I think says "the raising of money by any mode or system of taxation." Now, I believe it has been held to be subject to certain qualifications as a result of the head in section 92 which says: "Raising money by direct taxation for provincial purposes,"—it is a rather involved point and I am not aware of a judicial decision which would settle the matter. The second point I would make is that I do not think our paragraph (c) on page 8 is implying a specific tax earmarked for anything. What we are simply saying is income tax could begin at a lower level and it would be for the specific purpose of financing old age pensions. When we came to explain it to our people we would say yes, you are being asked to pay income tax at a lower level but you are going to get something for it. We are not suggesting here a special tax for income tax purposes.

The CHAIRMAN: I think the first part of your answer, with all due respect, was incorrect.

By Mr. Laing:

Q. My question surrounds the area entered by Mr. Fleming. I think it is of paramount importance to us to consider that the proposal here involves an increase in federal expenditure of about 20 per cent of the total expenditure at present. We can assume that this further expenditure would put a quietus on the taxation area or taxation revenue of the provinces because we cannot assume the parallel expenditure that you are going to get out of this tremendous centralization of authority under the federal government. You assume this is going to be a national problem in that you say "the dominion assuming the whole cost of the scheme and the whole administration (this would obviate the necessity of securing the consent of the provinces)." You view this matter as being of no concern to the provinces whatsoever but what I am concerned about is whether or not you have any misgivings—and I assume you have no misgivings at all concerning the problem of centralization of authority—because taxation powers are parallel to total authority. Would you care to comment on that?—A. Yes, I would. I think that anyone who has lived for any length of time in this country, and who has followed the history of dominion-provincial conferences, must have a number of concerns about what happens in those fields. I think our greatest concern is the inability to agree. I think I should say this also without appearing to be flippant at all. I think the provincial premiers and their spokesmen have very well looked after provincial interests without members of the House of Commons posing difficulties that might arise. That brings me to this old devil "centralization". Why any Canadian citizen—

Mr. CROLL: You will not like this?

The WITNESS: —why any Canadian would allow himself to be elected to the House of Commons and, at the same time be afraid of his responsibility to administer the centralizing power of the government of Canada, I just cannot understand. I am not so much concerned about this devil of centralization, I am concerned with the lack of something being posed in its place to take care of the abuses that may or may not exist in this country. Today we have abuses in this particular field—or perhaps lack of use is a better term—to properly care for the aged. I have enough confidence in the common sense of the people of this country, no matter which government they elect—and of course I would rather see a C.C.F. government—

Some Hon. MEMBERS: Question, question.

The WITNESS: I have enough confidence in the common sense of the people of this country, no matter which government they elect, to believe that they are

elected to use their powers and not to abuse them. I cannot see any abuse of powers by any government in this country in properly looking after the aged in British Columbia, Newfoundland, Nova Scotia, or elsewhere. To me it is the assumption of responsibility rather the abuse of centralization.

By Mr. MacInnis:

Q. You are putting old age pensions on the same basis as family allowances?
—A. Right.

Q. And as far as we know the provinces did not object.

Dr. FORSEY: I think it ought not to be overlooked that in our proposal the provinces would be relieved of a considerable responsibility which they have now—a considerable financial obligation—and we are not suggesting that the provinces have no concern in this matter of old age security because, if all the proposals which we are suggesting were adopted, there are plenty of highly specialized services which the provinces could, and quite possibly should, provide. There are very wide fields which we have not entered.

Mr. SHAW: At that point, would Dr. Forsey agree that the power of the province to raise revenue is in direct ratio to the revenues which are raised by the dominion government for any purpose, so, while you may be relieving them of a certain responsibility, you may be imposing an even greater one on them?

The CHAIRMAN: That is Mr. Duplessis' argument—that we are taking over all fields of taxation.

Mr. SHAW: I am not advancing an argument; I am advancing an idea for consideration.

Mr. LAING: There is only so much money and if the federal government takes another large proportion—20 per cent more than they are taking now—that would put a quietus on the total value of new revenue in the provinces.

The WITNESS: I do not think that is wholly true. It may appear to be but, in the final analysis, your revenues in this country, or in any province, will, I submit, be dependent upon the capacity of this country to produce wealth. While there may be a tendency to greater centralization, and that centralization may become an abuse in say an adverse economic period, nevertheless I think the future of this country is conditioned to one thing and that is expansion; and even in eliminating certain provincial areas there might be even greater sources to draw from than these narrow limits. Your wealth and production has been increasing year by year in this country and I suppose it will continue to increase.

The CHAIRMAN: Mr. Ferrie, you have been trying to ask some questions since 11 o'clock.

Mr. FERRIE: I would like to ask Mr. Conroy one question. You are talking about the age coming down to sixty-five. When you take the age at sixty-five would you compel them at seventy to retire?

The WITNESS: Well, I doubt if I would. I notice that the Canadian Senate is proposing that senators be retired at seventy-five. That may or may not be a good thing—it would depend on the individual. I believe that where a useful citizen can produce wealth it should be optional to him. I do not think that any power in this country should deprive him of working to his day's capacity. At the same time you should not penalize the other 97 per cent who, at seventy, are not able to work.

Mr. FERRIE: You state there the basic pension would be \$50. Well, what would you do with that \$50, would you add that to any private pension?

Mr. CROLL: Let us not get into that now.

The CHAIRMAN: That comes in other parts of the brief, Mr. Ferrie.

Mr. SHAW: I should like to preface my question with this statement. I accept the theory that it is psychologically good to permit a man to continue working after sixty-five—of course conditions in the country may necessitate it. We were told in a recent hearing that in order to maintain a basic pension of \$30 to all over seventy there would be a duty on management and labour to see that people were kept working after sixty-five years of age. What would you say about that?

The WITNESS: As to a duty to keep people at work after sixty-five years of age, I do not think that is true. I think that shows one outstanding thing—a complete lack of confidence of the ability of this country to produce wealth. The record has shown that year by year we continue to expand our production in facilities and our wealth increases. In let us say ten years, or ten or twenty years from now, at the continuing ratio of the accepted figures of 2 per cent per year, unless the atom bomb destroys the entire universe which we all hope will not happen—

Mr. CROLL: I did not think we were going to get into that this morning, but go on.

Mr. BROWN: Perhaps we can advance to the H-bomb.

The WITNESS: The suggestion of keeping people on to sixty-five and seventy almost raises that as a spectre.

Mr. CROLL: You are thinking of Mr. Bryce's statement.

Mr. SHAW: Yes.

Mr. CROLL: I think he said there was a desirability—

Mr. SHAW: No, he said there was a duty upon the shoulders of management and labour to change their thinking which is current today.

Mr. CROLL: He said, "the desirability of keeping them on after sixty-five"—

Mr. BROWN: He said it was a duty to find employment where possible—but he was not forcing them to labour.

Mr. SHAW: I should like to ask Mr. Conroy if he feels there is any question whatsoever about our ability in Canada today to produce the goods and services which will be purchased with the income that will naturally accrue to the people receiving this basic pension which he advocates? Is there any doubt about the ability of the people of Canada to provide the goods and services required for this extra purchasing power or redistribution of purchasing power in your proposal?

The WITNESS: Not the slightest. I think the figures indicate that wealth and production twenty years from now will be 40 per cent higher than as of today.

Mr. CANNON: I was going to ask Mr. Shaw about the statement he made that management ought to change in thinking about the desirability of keeping people on after sixty-five—if I understand you correctly you are against that? You do not think that?

Mr. CROLL: No, no.

The WITNESS: I regard that, sir, as an individual human problem. I presume it is based on the fact that we all become rusty around sixty-five, and that the laws of nature take their course with most of us and we will want to quit around that age, but there are exceptions to that rule. Maybe there are 5 per cent or 10 per cent that can go on.

Mr. CANNON: Those are the ones who should be allowed to do so.

The WITNESS: Yes, if they desire to do so.

The CHAIRMAN: That is your position.

Mr. CANNON: In your proposal the basic old age pension would be paid fully by the government and the provinces would not have to pay anything. Would you leave the administration in the hands of the provinces?

The CHAIRMAN: That is in the brief.

Mr. CANNON: I am sorry.

The WITNESS: I think, in the physical sense yes, but because of the size of the country, let us say that you have a Minister of Health and Welfare to administer these proposals we have submitted, I think as a matter of convenience the Minister of Health and Welfare is going to seek the co-operation of the provinces as he does in the matter of the family allowances administration.

Mr. PICARD: That is administered entirely by Ottawa.

The WITNESS: But the cheques are sent out from given areas across the country.

The CHAIRMAN: Regional offices of the federal government.

The WITNESS: Yes, but it is on a comparative basis to provincial administration.

By Mr. Picard:

Q. It has nothing to do with the governments of the provinces. It is entirely a federal responsibility, and for administration they put offices in each province. When we talk of provincial co-operation we mean co-operation by the governments of the provinces?—A. I presume there would be mutual co-operation on the part of both governments. I cannot see any difficulty about that.

Q. You are an optimist.

By Mr. Cannon:

Q. Basically, whose responsibility would it be?—A. The federal government's responsibility.

Q. Well that would be a change because now it is the provincial governments who administer it?—A. Agreed. But, as a matter of facility—there are no political jurisdictions involved.

Q. It is an important matter from the point of view of administration?—A. I see.

Q. Do you advocate that it should be administered nationally or provincially?—A. We submit of course that it should be administered nationally.

Dr. FORSEY: That is given on page 7, paragraph 22, lines 7 and 8.

Mr. COTE: On the other point which has just been discussed, there is a difference between family allowances and old age pensions in that some of the provinces since 1927 had entered the field of old age pensions, in partnership with the federal government. Others came in in the interval between 1927 and 1936. Now do you think, Mr. Conroy, that there would not be any difficulty there in having provinces completely withdraw from that field which they have entered since 1927? That is an essential thing in any comparison between family allowances and old age pensions—family allowances was a field which had not been entered by the provinces before the federal authorities came in?

The WITNESS: Well, sir, I have taken a great deal of pleasure out of watching the operations of the last dominion-provincial conference. I think all Canadian citizens have witnessed a very wholesome change in the attitude of the provinces towards government. We know there are conferences yet to be held but I think the atmosphere, the accolades paid between provinces and federal officials, provide the hope that what might have been called tension and differences twenty years ago or even ten years ago are showing a tendency to diminish. I think we are finding, without blaming the provinces or officials of both types of governments, more amenable acceptance of the realities of the situation—that these are Canadian problems and not necessarily problems of one section of the country. I think that to use the premium put on the situa-

tion as of twenty years ago is not being realistic. I think even the most militant provincial premier has now come around to the point of realizing that this thing can be carried too far in terms of Canadian public opinion.

Mr. BROWN: Which one are you referring to?

Mr. CROLL: You know who.

The WITNESS: I was not at the conference and I do not know who spoke the loudest.

By Mr. Cote:

Q. That is a striking feature. The provinces actually hold the entire administration of old age pensions. Now another point, Mr. Conroy, in advocating a basic non-contributory pension of \$50 a month, you do not seem to take into account what would be the size of the future contributory scheme which might be set up in accordance with your second conclusion?—A. I think that would require a separate study, sir.

Q. Do you think the basic pension could be much lower, depending on the value of the contributory scheme?—A. I think it would almost wholly depend upon what the basic pension would of right be. I think you would have to indulge in some supplementary figuring once your basic pension was established.

Q. I just want to be sure whether your figure of \$50 is definite or subject to variation according to the strength and importance of the contributory plan?—A. I would say the \$50 basic pension as of right would come first, and the contributory pension would come second.

Mr. FLEMING: You mean they are cumulative? The contributory is not a substitute for the basic?

Mr. COTE: No, it is supplementary. Is your figure of \$50 a month based on what you mentioned a few moments ago—that it might take some time to get the necessary agreement with the provinces to implement the contributory scheme and, in the meantime, it would require a basic minimum old age pension of \$50 a month?

The WITNESS: I do not know that we have to put a premium on possible disagreement with the provinces. We are aware, of course, that there must be discussions but, in any event, whether there would be agreement or disagreement we would say that first things should come first, that the basic pension should be installed, and that discussions and subsequent agreements should be arrived at on a contributory basis with the provinces.

Mr. BLAIR: You talked this morning about the cost of this scheme being \$500 million. This, however, is only one phase of social security and I am referring now to the question of the great necessity at present for a health scheme. Then, there is the question of another group which should be moved into the welfare class—and I am referring to invalids—possibly at the age of twenty. How are you going to finance that necessity—and it is just as important as the old age scheme—if your proposal is going to cost \$500 million. We have discussed the question of income tax this morning and how far we are going to go in that connection. As I say, the other scheme is just as important as the old age scheme and we are anxious to provide for it, but how are we going to finance it?

The WITNESS: Let me try to be as specific in that regard as I can. I think from the very fact that we have a Minister of Health and Welfare—and I am not indulging in politics here when I say we have a very good one—

Some Hon. MEMBERS: Hear, hear.

The WITNESS: The fact that we have a ministry of health and welfare indicates automatic acceptance of national responsibility for health and welfare in this nation. As to the cost and what it is going to cost us—this is perhaps beyond the province of this committee but it is a direct question and I think has to be answered by the people of Canada and the government of Canada. It is not a question of what it is going to cost, but it is what lack of the system is costing us now. I doubt if anyone can even guess at the figure.

Take it from the most remote hamlet in this nation, from the small towns, the cities, the provinces. In a small way, by the recent grants the federal government through the ministry of health and pensions, is assisting in the building of hospitals, training of people, and all the rest of it. I am now guessing, based on what I have observed in this country, that if we put our health and welfare on a properly regulated basis, operated by the dominion government in conjunction with the provinces, and the municipalities, I am prepared to say that it would not cost us any more than it is costing us to support it now on a basis of what has almost become an organized racket. Let us take the community chest as only one symbol of what is going on in the country—and there are a very large number of organizations outside community chests entirely.

It is costing this nation untold tens of millions of dollars for the most unscientific system of health and welfare that any country has seen. I am prepared to bet \$5 with anybody who is prepared to figure it out.

Mr. MACINNIS: Nobody here has \$5.

The WITNESS: You raised your own wages without negotiation; I know that. Perhaps that was a unilateral negotiation. I think there was only one vote against it.

But to be serious, lacking specific information on this question, it is my honest belief that it is costing Canada more money now for an organized racket of indirect health or charity contributions than it would if the matter was handled on a proper scientific basis and added up dollar for dollar, and it would not cost the country more than it is now costing.

By Mr. Brown:

Q. Your idea is to spread it around among everybody?—A. Yes.

Q. And not take so much out of those who actually incur the obligation through services rendered?—A. It is a national problem.

Mr. BLAIR: It will still take money.

The WITNESS: I doubt if it will take any more out of the individual pocket. We are paying it in municipal taxes, the business man pays it, we pay it in prices; if it was paid in one shot it would not amount to more.

Mr. MACINNIS: It is paid directly when you get a private service.

Mr. BLAIR: Have you in this calculation taken into account the number of people who are living longer—the age of the population? People are living longer. Have you taken that into account in your calculation?

The WITNESS: In a general way. We have read the figures of the government on the prospective increase year by year up to, I think it is 1971. Yes, we have taken that into account, sir. We realize there is going to be an increase in cost and consequently an increase in responsibility; but there is the very important fact that side by side with this increase in cost, the wealth of Canada will more than increase proportionately. In 1971, while the figure compared with today may seem rather fantastic, nevertheless based on increasing production the wealth of Canada in 1971 will be much beyond what it is now, and I think we can still afford that cost better in 1971 than we can today.

Mr. BLAIR: But even if you broaden the basis you are going to have more population?

The WITNESS: We will have more production and more wealth.

Mr. BLAIR: And a larger population.

The WITNESS: And more wealth.

Dr. FORSEY: The point is dealt with at the bottom of page 7 and at the top of page 8 in paragraph 26.

Mr. MACNAUGHTON: I have heard your assumption with regard to increasing income and I find it difficult to fit this in with Mr. Forsey's views on booms and depressions which we studied together years ago. Of course if we get away from this voluntary system of campaigns such as the Financial Federation Campaigns, and substitute, shall we say, an increase in the civil service to administer any future scheme, we automatically get away from the great volume of voluntary effort given by a great many people across the country, do we not? To that extent the cost is automatically going to increase considerably, is it not?

The WITNESS: Based on a purely extensive connection with welfare workers in this country in almost every province, I wish at this time to pay tribute to the idealism which motivates their work; I do not think that can be assessed in terms of money. It is a fine thing that these people exist, but side by side with that idealism—this is my own experience—I have found no more frustrated group of individuals who are trying to do a good job than the welfare workers of this nation, largely because of budget provisions and largely because of almost complete dependence on public contributions, which is almost a continuous nightmare for them, believing as they do that success or failure—and their work is never completely successful—is almost wholly dependent on the whim of the voluntary effort of individuals. If we go to a proper state scheme it seems to me we could harness the idealism of all these people—and there are a lot of them—with the assurance behind the idealism, and for the first time this idealism will be harnessed to do the successful work we want to do. I think it will be an asset in spite of taking away that dynamo behind the voluntary effort.

By Mr. Ferrie:

Q. I think Dr. Blair has hit the nail on the head. This scheme, because you have a flat rate fee, will injure the rest of our schemes which we have in view for the benefit of all the people of Canada. Your idea is that it will not; that it is possible to go out to the people of Canada and get another \$500 million, we will say, next year, for another purpose altogether, for a purpose just as important to the state as the old age scheme we have now. What about our invalids and our cripples and those who are not able to earn their living? That cost would all go on to the taxpayer. Now, your idea is that when a man starts to earn a living from 18 to 65 years of age he will carry the load. Are you satisfied in your mind that he is willing?—A. I thought I had already answered that question when I said that he is now carrying the load.

Q. No, he is not; no, no, he is not.—A. The general run of the population throughout this country, either directly or indirectly, from the most remote hamlet at least up to your provincial level through direct contributions through the Minister of Health and Welfare and sundry schemes across the country, is in most cases directly paying now, and through these continuous contributions indirectly they are being pressured into paying the cost.

Mr. BLAIR: You say it is not enough?

The WITNESS: It is not enough in my opinion, for the simple reason that the proper treatment of the problem has not been approached. It is a hit and miss principle; and I have, subject to being corrected, the figures to prove

otherwise; and while we are doing an unsatisfactory job it is actually costing us more to do it than if we did it on a scientific basis. I believe that the health of this country is the greatest asset a country must have in peace or war. Because of its necessary status in the country, it must be the concern of the entire nation. I do not think it is a thing you can play around with.

By Mr. Benedickson:

Q. We are considering the basic and very attractive recommendations of the Congress toward the elimination of the means test, reduction in the age, and an increase in the amount of pension being paid; and I was impressed with the answer given to Mr. Fleming, which was that while all of these features are desirable, if, in the opinion of parliament some of them had to be sacrificed, the thing which it was least desirable to sacrifice was this feature of elimination of the means test. I am wondering if that is biased—

Mr. CROLL: He said most desirable to eliminate.

The CHAIRMAN: Mr. Benedickson phrased his question the other way.

By Mr. Benedickson:

Q. I was wondering if that in any way is based on advocacy—I will not say biased—I will say advocacy for the group that you represent; whether you are thinking in terms solely of the interest of the people you represent or whether it is a recommendation beyond that; I am asking you how many members the Congress has?—A. We have at the moment approximately 400,000 members.

Q. Could we get any information as to the present average earnings of the members of the Congress?—A. You would have to look it up, based on industrial earnings.

Q. The Congress itself does not keep a constant report on the average earnings?—A. Other than in a general way it is impossible; we must depend on government estimates and figures.

Q. Would you be able to give some idea as to, say, the range of earnings of your members?—A. The best we could do is, first of all, give you rates, then we could select a number of industries reported upon by the government where our workers are employed. We could give you that information.

Q. I imagine then that we should withhold any questioning on the percentage of your membership that have negotiated private industrial pensions, and for that reason are most anxious to not have means taken into account in setting universal wage rates? I will not pursue that.—A. I should say that at the moment the percentage who have negotiated private pensions is extremely small.

Q. I thought that probably would come under the other heading. Also, I was quite interested in section 31 of your brief in which it is advocated that the \$50 a month pension be increased automatically each year by 2 per cent, and you say: "While productivity is difficult to measure, the skill in measuring it has developed considerably and a more accurate yardstick is becoming available." What is the more accurate yardstick you are referring to?—A. We are basing it on better statistics.

Q. What are those?—A. Better government reports.

Q. On what?—A. Increasing wealth and production.

Q. You are quite familiar with the various reports tabled by the Bureau of Statistics—what particular tables are you basing that on?—A. We are taking tables on the sum total of wealth and production over given periods.

Q. Would you be able to put those figures in front of us now?—A. Not at the moment, but we probably could get them.

By Mr. Brown:

Q. Following the questions of Mr. Benidickson, you were talking about wage levels. I assume that since Windsor, Ontario, has the highest wage level in the Dominion of Canada then they would have to bear the brunt of such a program?—
A. I do not think that necessarily follows.

Q. They would have to pay more?—A. Sometimes Windsor has had extensive periods of unemployment.

Q. Yes, but I am talking about the present time.

MR. LAING: Who said they have the highest wage levels in Windsor?

MR. BROWN: The Dominion Bureau of Statistics.

THE WITNESS: Every so often I read the figures and I think it is a matter of parochial pride. Windsor has the crest one day and some steel centre has it the next day.

MR. LAING: What about Trail?

THE WITNESS: British Columbia is more or less traditionally the highest, but I do not know what the facts are.

MR. BENIDICKSON: Mr. Conroy then does not go on to indicate any specific yardstick in this respect and we would probably have to follow this particular matter up in the way of proof by getting information from the officials of the Bureau of Statistics?

THE WITNESS: About the best yardstick we would have at the moment, subject to supplementary information, is that on an average our annual wealth and production has increased by 2 per cent. We would have to supplement that by more specific information.

MR. LAING: Would Mr. Conroy permit a general question. I have in mind the general concept of social security and retirement. What is it going to do in a time that is not economically as good as that of today? Before coming here I had some experience in school boards and with teachers there was always the argument that they should work for less because they had a pension and; it was also said that they had two or three mounths' holidays a year, and in addition they should work for less because of the pension they were going to have. What is the effect that general pensions will have—how will that be taken care of by your concept of universality?

THE WITNESS: Let me put it this way. I think the most immediate reply would be to say what happened after family allowances were paid. On or about the time the federal government initiated that, we had many prophets of doom in that field. It was said that in the average family there were half a dozen youngsters and they would get \$30 or \$35 a month. It was said the father would stop working, would go on a bender, and would lose his initiative. Perhaps the Minister of Welfare can give facts and figures, but I am prepared to say that the forecasts have not been borne out. The added security to the family has lent, generally, more initiative to the family to do a better job. There is less fear in the home than there was before family allowances were inaugurated.

What about old age pensions, and the first time they were inaugurated twenty-three or twenty-four years ago? We had an army of prophets up and down the length and breadth of this land. It was molly-coddling; it was the dole; spoon feeding; the country was going to the dogs; everybody would stop work. The same thing was true when unemployment insurance was going to be paid. That was another dole; another spoon feeding; and molly-coddling; people would lose initiative, and their anxiety to make contributions to the country's welfare. In spite of all that, the labour force of this country is now bigger than it ever was in history, and production and wealth is bigger. I suppose it is not an enigma therefore that profits in industry are larger than they ever were before.

I have more confidence in the Canadian people than to believe that the average old man or old woman who has spent forty or fifty years over a coal stove or a wood range boiling herself half into chemicals is suddenly going to be overnight lazy if she gets what I believe is her heritage.

The CHAIRMAN: That does not answer Mr. Laing's question.

Mr. LAING: I was asking whether your concept of universality would mean that men should work for less because of this pension?

The WITNESS: I do not think so. I think when fear is taken out of a man's mind it makes him a better worker and a better citizen.

Mr. MACNAUGHTON: Therefore with more security his productivity would increase rather than lessen—that is your thesis?

The WITNESS: I am going on the record of those who accumulate their first million dollars. They are never content until they have accumulated the second one.

Mr. CROLL: Are you speaking from personal experience?

The WITNESS: No, I am an exception.

By Mr. Shaw:

Q. Mr. Chairman, some persons talk of the possibility, and others of the inevitability of recession—none of us want it, but we must be realistic. I think the total national income today is about \$13 billion; the gross national product is about \$16 billion; the budget \$2,400 million—which you propose to increase to \$2,900 million.

Now, should the national income fall to \$7 billion, and if our government continues to find itself in the position which the Minister of Finance says it is in now with such a hard core of fixed commitments that we cannot expect lower budgets for some time, do you think this proposal of yours with an additional \$500 million will survive? I am realizing that if that recession comes it will not be because of our inability to produce, but do you think the scheme will survive?—A. I will tell you how it will come about—not through our ability to produce but through our inability to consume.

Q. I do not agree with you—your ability will remain the same.

Mr. MACINNIS: Your capacity will remain the same, but not your ability.

Mr. SHAW: Your ability will remain the same.

The WITNESS: There is a rather amazing feature to this field of prophecy that those who believe most in free enterprise—I do not deprecate them—are the greatest prophets of doom as to the future of the system, particularly when it is proposed that life be made a little more livable for the men who were responsible for the production of the system itself. You can adjust the tariffs, you can fail to prosecute the millers, you can do a hundred and one things that affect our top financial brackets, but when these things happen the system has one feature that is always important. When you produce more than can be consumed, when buying power lags, then the bottom is going to fall out of your market and you inevitably face a depression. That kind of prophecy has been made many times before, and is one that has never come out true.

Mr. CROLL: No, except as it relates to the recurrence of a depression.

The WITNESS: The recurrence of depression has in my opinion been conditioned from one fundamental, the lack of ability on the part of people to buy goods, to consume goods. But I cannot see any way in which you can redistribute national wealth in such a way as not to be sure of avoiding a depression; as a matter of fact I think it is more likely to work the other way. There are a good many people who say that if you increase production every year you won't

need to worry, but what use is it to produce goods if people are not going to be able to buy them? You can't produce yourself out of a depression.

Mr. SHAW: What I am getting at is simply this; accept conditions as we know them to be, let us face what we have to face. If we are going to have a depression let us prepare ourselves to meet it. Things may not be what I would like to have them, or what a good many people would like to have them; but whatever the conditions are we will have to face them, and I think we have to be a little bit realistic, even theoretically.

The WITNESS: It is not an entirely theoretical condition in a country like this when you have a budget of over \$2 billion in relation to a gross national production figure of \$16 billion. It seems to me that position would be relatively much better than what you had in 1939. It would seem to me that you could better afford it today.

Dr. FORSEY: I wonder, Mr. Chairman, if I may be permitted to supplement what Mr. Conroy has said with respect to the setting up and development of social security measures and the effect they will have on the national economy by suggesting to the committee that they refer to an extremely interesting statement on the matter which appears in the, I think it was, August 1944 issue of the Canadian Journal of Economics and Political Science. I refer you to an article there by Mr. J. R. Beattie of the Bank of Canada.

Mr. CROLL: The Prime Minister in a recent speech said the very same thing.

Dr. FORSEY: I had in mind someone who would be apart from politics.

Mr. BROWN: Well, the Prime Minister is above politics.

The CHAIRMAN: Well, gentlemen, it is 1 o'clock. I have a few questions which I want to ask the witness but I have not had a chance to put them yet. I suggest that we sit this afternoon at 4 o'clock.

—the committee adjourned.

AFTERNOON SESSION

THURSDAY, May 11, 1950.

The committee resumed at 4 p.m.

Mr. Pat Conroy, Secretary-Treasurer of the Canadian Congress of Labour recalled:

The CHAIRMAN: Senator Fallis and Gentlemen, at 1 o'clock I think we were on the first section of the brief of the Canadian Congress of Labour. Are there any more questions on the basic universal no-means test non-contributory scheme?

By Mr. Shaw:

Q. Yes. I have one question. The brief in its reference to that section of the pension scheme referred to in (A) is the brief of the Canadian Congress of Labour. Have these specific proposals for financing on page 8 been approved by the Congress as such in convention or through contacting branch organizations which make up the congress; or is that merely a statement by the executive of the Congress itself?—A. May I say, Mr. Chairman, in reply to Mr. Shaw, that the Congress for a number of years in annual conventions has adopted

specific proposals in the form as outlined of the wishes of the membership of the Congress as to the general desire in the field of social security which, of course, provides for old age pensions.

Every year we have reiterated our position in that respect to the government during our annual representation. This year when it was announced by the government that a parliamentary committee would be set up, the executive council of the Congress, which is the next agency of power to the convention itself, and which carries on between conventions, based upon the decision of the government to set up a committee, appointed a sub-committee of the executive council to prepare a brief on this question as representing the executive council which, in turn, has a representative from each union on the council. The representation of the council is automatic. There is one man from each union on that council; and from that body a sub-committee was selected to draw up a brief to submit to your committee.

Q. Might I just add that my only reason for bringing the question up again is that I find it hard to believe myself on the basis of the representations which have been made to me that this is what they have been asking for, as a method of meeting the cost. I will accept your statement, Mr. Conroy? —A. May I say, sir, I think our position is almost analogous to that of yourself as a member of the House of Commons. I am sure that from time to time members express opinions on a specific subject which is before the House of Commons; and I think it is only fair to say that it is not at all times possible for them or for any member of the House to go back home and to consult their constituents as to what decision they should take in the House on a given question. So you have assumed your responsibility as a member of the House of Commons and we likewise have to assume our own responsibility as members of the council. Now, as to whether we have done right or wrong, that will be determined at the next convention.

Q. That is right. I understand it.

The CHAIRMAN: Are there any other questions?

By Hon. Mr. Fogo:

Q. There is one question I would like to ask. It is a very simple one. Referring to the financial setup again and to the item on page 8 under the sub-heading 27-a, referring to Corporation Taxes, I read:

(a) Putting taxes on corporation incomes back where they were during the war would bring in well over \$300,000,000.

I wonder if Mr. Conroy or Dr. Forsey would indicate just what they mean by that. I mean whether or not it is an increase of corporation taxes or a reimposition of the excess profits tax?

Dr. FORSEY: We have more than once talked of a reimposition of the excess profits tax. But again I would point out that we are merely suggesting possibilities here. We do not want to go into details about it. But as I recall it some years ago the average rate of combined excess profits tax and corporation income tax was pretty close to 50 per cent—it was 49 or 48 point-something-or-other, and that was the average rate on which we made a very rough estimate of that \$300 million.

Hon. Mr. Fogo: So far as we are concerned, if an additional \$300 million were obtained from corporation taxes, you are not expressing any preference for a straight increase in corporation taxes as against a reimposition of the excess profits tax?

Dr. FORSEY: We have not in mind anything of that sort.

The CHAIRMAN: It would practically amount to the same thing?

Dr. FORSEY: Yes.

Hon. Mr. Fogo: But it would not come from the same place.

Dr. FORSEY: The amount would come from the same corporations.

The CHAIRMAN: If taxes and corporation incomes were back to where they were during the war that would mean a 100 per cent excess profits tax.

Hon. Mr. Fogo: That is what I assumed, but apparently that is not their case. Mr. Forsey indicates that was not the thing.

The CHAIRMAN: What is the thing?

Dr. FORSEY: It is immaterial to us how you do it. We think you can get it out of the corporations of this country, that you can get that amount, if that is the position you want me to take.

Hon. Mr. Fogo: I am only concerned about your thinking.

Dr. FORSEY: We have asked for the re-imposition of the excess profits tax and I suppose that is our position. But on the other hand in regard to this particular brief I do not think we have any intention of being dogmatic about the precise method of doing it. We merely suggest that the corporations of this country could provide for this purpose what they provided for the war.

The CHAIRMAN: Suppose we do accept your proposition, Mr. Forsey, and that we do collect from the corporations over what they are paying now in income tax an additional sum of \$300 million. Suppose we do that for old age pension purposes. How could we get any more money from the corporations for the purpose of financing, let us say, sickness benefit insurance schemes, or invalidity pension systems?

Dr. FORSEY: My answer would be that there is an old Scottish proverb as follows: "Dinna cross the bridge till ye come to the burn". I do not see any point in trying to cross a bridge until we come to it. I can see no prospect whatever, in spite of some rash hopes that seemed to be held up before us, of the enactment of a health insurance scheme, a sickness benefit scheme, or an invalidity scheme in the near future.

The CHAIRMAN: But suppose there is?

Dr. FORSEY: When the House of Commons and the Senate appoint a Joint Committee to go into that matter I would be prepared to help to present representations from our Congress on that matter.

The CHAIRMAN: But you are not answering my question. Where do we get the money if we have taken it all for old age pension purposes?

Mr. MACINNIS: I think your question is out of order, Mr. Chairman. If any other member of the committee were to ask that question, or anyone wanted to appear before this committee to make a statement on social security, it would not be allowed to be heard. Consequently I think your question is out of order until you are dealing with the question of a social security scheme.

The CHAIRMAN: Well, I find it difficult to judge without prejudice on questions of order pertaining to my own questions. I believe it is in order, after all.

Hon. Mr. Fogo: Surely it is in order if the witness suggests that \$300 million for this purpose can be obtained from corporation taxes. Surely it is in order to ask the witness what he considers the method should be of collecting that \$300 million from the corporations.

Mr. MACINNIS: That is not the question he was asked.

Hon. Mr. Fogo: Yes, it is.

Mr. MACINNIS: No, it is not.

Dr. FORSEY: I think he has in mind that something else may come from the implementation of it; that we will need more money from the corporations.

By Hon. Mr. Fogo:

Q. And also, will the corporations be in a position to pay their share of an industrial scheme if they have to pay an additional \$300 million in corporation taxes? That is a relevant question too.—A. We have no objection to answering these questions. I want to give you and the committee every assurance that we have no desire to avoid or take refuge behind any difficult question; and if we cannot answer a question, we will say no.

The CHAIRMAN: That is correct.

The WITNESS: Now then, having said that, I regard your question as being merely a repetition of the question asked this morning by Dr. Blair.

The CHAIRMAN: Well, it is.

By Hon. Mr. Fogo:

Q. It is really a little broader.—A. Perhaps a little broader, or a little more specific. First of all I think I should show some solicitude about the regard which is being held here for corporations.

The CHAIRMAN: I do not think that is fair, Mr. Conroy. I must ask you to refrain from such statements.

Mr. ROBERTSON: This is not a political forum.

The CHAIRMAN: No, this is not a political forum. And I am not here to protect corporations and I want you to know it; and the members of the committee are not here to protect corporations or anyone else. We are merely seeking information and I would like you to bear that in mind in your answers.

The WITNESS: Then we find agreement in the fact that there is no undue regard being held here today towards corporations. But my answer is the same as I gave to Dr. Blair this morning. It is not a question of raising new taxes. It is a question of transferring or substituting for taxes direct or indirect being paid now all the way from the individual to the municipality and the local hamlet, town, city and province; and to some extent by the federal government which is now, in a variety of fashions actually paying the money for an unorganized indirect form of welfare provision which in our opinion is neither scientific nor sound. And if you had a government system it would not in the final analysis amount to anything more than a matter of merely making a transfer to a direct basis, and actually saving the country money in comparison to what is is paying now.

By Hon. Mr. Fogo:

Q. You do not fear that the imposition of corporation taxes, for example, would have a detrimental effect on the corporations themselves as productive agencies or agencies under which production is carried on?—A. I am looking at the record.

Q. I am thinking of a possible limit. Is there not a limit to which you can tax any group of taxpayers? Mr. Forsey has said that we need not cross a bridge until we come to it. But when you are thinking in terms of legislation, you must try to cross the bridge before you come to it because when you get on the bridge it may be too late. My suggestion to you is that \$300 million additional corporation taxes may be near the danger point beyond which you cannot go without injuring the capacity of the corporation to carry on, or beyond which you deprive that corporation of the ability to do other things of a social welfare nature which you and I might expect a corporation to do. If you take the dollars for one purpose, then the corporation has not got them for another. Is not that correct?—A. Let me say this:

Q. I appreciate that it is a question you cannot answer.—A. Perhaps we cannot answer it to your satisfaction.

Q. I shall accept your answer whatever it is.—A. Let us find an area of agreement first. There is of course a saturation point in all these things. Just to say there is no limit does not make sense. But in so far as the re-imposition of the wartime basis of taxation is concerned—and I may be wrong about this—I do not know of any corporation in this country which has suffered excessively from wartime taxation. Their profit balances on the whole were fairly healthy; and our production even now despite unemployment has maintained itself almost on a wartime basis. So I am at a loss to understand how a re-imposition of excess taxes could constitute an undue burden upon industry. It did not do so during the war and I cannot see how it can be an undue burden now.

Q. It might constitute a hindrance. I have in mind the rest of your brief now, and perhaps I am anticipating you a little.—A. Let us deal with the hindrances. After all this is not a new story. Let us go over the record of this thing. I must say this in order to be fair to industry: that your position and attitude represent a traditional attitude of industry towards insurance and even towards the mildest of social reforms, and at all times it has been a consistent “no”.

By the Chairman:

Q. That is not the point under discussion, Mr. Conroy.—A. Yes.

Q. We are discussing the financing of it.—A. I am dealing with financing now. Let us start with the abolition of child labour. That was supposed to bring society down about its collective ears. That was the story of industry. If we did away with the exploitation of children in the cotton mills and the coal mines at the ages of 7 or 8, it was felt that society would fall to pieces.

Q. I do not see what that has to do with a discussion of the financing of your plan. What is the opinion of the committee.

Mr. CROLL: I think he is leading up to a point.

Mr. ROBERTSON: What happened in England is of no concern in this case.

The CHAIRMAN: I do not think that the problem of child labour has anything to do with the collecting of money for old age pensions.

By Hon. Mr. Fogo:

Q. Can we not say that we accept Mr. Conroy's introduction to his subject, because I think we agree with him that many social reforms had to be imposed but subsequently were regarded as being very good things. I think we are all agreed as to that.—A. And those who opposed the thing then, now claim it for themselves.

Q. Yes. And even in the memory of some of us I think Workmen's Compensation was first opposed, but today it is pretty generally applauded.—A. I am talking about more recent times in the different provinces in this country, not about child labour in Britain. However, I am at the disposal of the committee.

Mr. CROLL: On a point of order, Mr. Chairman: a question was asked of Mr. Conroy by Senator Fogo; and it does seem to me that Mr. Conroy should be permitted to answer that question.

The CHAIRMAN: I want him to answer it but I would like him to give direct answers.

Mr. CROLL: In a matter like this I think the witness should be permitted to answer the questions in any way that he can.

The WITNESS: Is this to be court procedure?

The CHAIRMAN: This is not court procedure. But in many instances in the last half hour you have contributed certain affirmations that were, in my opinion, out of step, and I ask you very politely to try to refrain from making those comments.

JOINT COMMITTEE

Mr. MACNAUGHTON: May I say that I think the witness should be allowed to speak freely and frankly because this is not a Star Chamber.

The CHAIRMAN: That is right, it is not.

Mr. MACINNIS: Let the witness complete his testimony whether we like it or not.

The CHAIRMAN: I would like him to do so, but this is not a political forum.

Mr. CROLL: It might turn into one. Sometimes we ask political questions here and we expect to get political answers.

The CHAIRMAN: All right, we will leave it at that.

The WITNESS: My answer is: that this is not a new thing as to the capacity of industry being unable to bear a certain burden. It is not a new thing for industry to say: We cannot do it. They have always said that. I prefaced my remarks by a reference to child labour and up through minimum wages; and when it was proposed to pay \$8 or \$9 a week to some poor dishwasher—

By Hon. Mr. Fogo:

Q. My question had nothing to do with the attitude of corporations. My question was as to your opinion on the ability of corporations actually to bear the burden you are suggesting without hindering their operations and their ability to do other things of a social character.—A. All right. Based on their profits during the war, based on the excess profits taxes during the war, based upon their maintenance of production since the war, and based on their increased profits, I would say yes!

By Mr. Croll:

Q. There is a question that he answered with a "yes", and it was a very important question. But I should have thought in answering such a question he would have given us certain statistics which are available which would indicate that is so. But instead of that he just says yes or no in his answers. Why did you say "yes" to that question, Mr. Conroy?—A. Because we have studies of the profits and studies of maintaining production lines, and we think they show it could be done.

Q. Can you not report on that? Have you not any particular figures in mind? Do you recall any summary that has recently been made as to the profits of industry as compared between one year and another year?

Dr. FORSEY: The Budget White Paper?

Mr. CROLL: That is the reason why you cannot say yes or no? Can you not refer us to some document, if there is a document in existence which proves your point? And then take your time to give it to us? I think that Mr. Forsey ought to refer to it.

Dr. FORSEY: I beg your pardon?

Mr. CROLL: I think you ought to put a reference on file.

Dr. FORSEY: It is the Budget White Paper which was published as an appendix to Hansard and to the Votes and Proceedings. I would imagine that every member of the committee is thoroughly familiar with it, even more so than I am. But if you want a copy of it submitted, I suppose that could be done.

Hon. Mr. Fogo: That deals with general economics?

Dr. FORSEY: It deals with corporation profits. Those were the figures we were using here, without being tied down to an exact figure. I took roughly what it was then and I made some allowance so as not to overstate the thing. But that is what it is based on.

The CHAIRMAN: The total cost of your basic pension would be half a billion dollars, and you would collect \$300 million from corporations?

Dr. FORSEY: I want to emphasize again that we are not tying ourselves down to anything. We are simply putting certain possibilities before the committee which we think are worthy of consideration.

Mr. SHAW: Do they approve of the suggestion which they have here? Is it conceivable that if you had a free hand to put this into effect now that you would proceed with this method?

Dr. FORSEY: We are generally in favour of that, yes. But we are not saying that this is the only way to do the thing.

The CHAIRMAN: All right. You suggest that $\frac{2}{3}$ of the cost of the whole system of basic pensions should be borne by the shareholders? Is that correct?

Dr. FORSEY: Of that proposal, certainly.

The CHAIRMAN: That is to say that instead of apportioning or distributing the cost as much as possible all over the population of Canada, you would take, right away, $\frac{2}{3}$ of it from the shareholders of Canada. Is that correct?

Dr. FORSEY: Yes.

The CHAIRMAN: And this part of the population would bear more than one half of the burden. Is that correct?

Dr. FORSEY: Yes.

The CHAIRMAN: So a widow who is living on dividends would be one of those who would pay $\frac{2}{3}$ of the cost of the system, while a man who is earning, let us say, \$3,000 would pay only a very small part of it? Is that correct?

Dr. FORSEY: I did not say he would pay only a very small part.

The CHAIRMAN: Well, in general, is that correct?

Dr. FORSEY: First of all, let me say that the shareholders are paying the entire cost of workmen's compensation.

The CHAIRMAN: Oh yes, they are.

Dr. FORSEY: During the war they apparently survived; and if they survived during the war, then they can survive now.

The CHAIRMAN: But during the war there was a special incentive, and that was: to win the war. But would the shareholders have the same incentive to pay for old age pensions?

The WITNESS: Dealing with your question of a special incentive—

By The Chairman:

Q. I am only asking a question.—A. All right. We are dealing with it on the very level you raised.

Q. That is correct.—A. You asked about a special incentive during the war. We had one at that time and it might be termed "military operations" for want of a better name. I think this hinges on a larger perspective than merely a comparison between two nominal terms. One is a period of peace and the other is a period of war. We believe—and you may not agree with us—that having in mind the world situation at the present time which is in a state of comparative war despite all the political niceties that are being observed, if we are going to survive in this war there must be just as much a special incentive provided for people in order to win this war as they had in the field of military operations.

Q. But there is a difference between saying: "There must be", and "there is".—A. There must be now, from our point of view, because unless we provide security for the people we have no guarantee that the people will have a stake in this system to fight for.

Q. You say that there must be; but is there actually an incentive?—A. An incentive I believe would be worked out if we should deal less with external forms of democracy and actually put some meat into the system.

Mr. CROLL: We are still on (a).

The CHAIRMAN: Yes. It is only my first of a series of questions. But I might withdraw now and let you go on.

Mr. CROLL: Do you wish to continue?

The CHAIRMAN: Yes. I have a whole series of questions but you go on and I shall wait.

Mr. CROLL: It struck me that there is something which appears to be quite irrelevant to the brief but which is taking up most of our time. I do not think it is for the C.C.L. to tell us how to raise the money. That is what they elected us to parliament to do. I do not know why they put it in here. It is not their business to tell us how to raise the money. It seems to have taken up a great deal of time and it may have been usefully employed; but had we not better get on to the other topics? Are we not giving undue importance to the raising of the money? That is something which is only an aspect of the question.

The CHAIRMAN: Do you want to have my personal opinion?

Mr. CROLL: Yes.

The CHAIRMAN: Then my personal opinion is that a most important part of this whole business of pensions is the providing of the money for them. I think it the most important part because after all any crackpot can come here and say: \$100 a month for everyone from the age of 60. And then you would be the first one to ask him: Where would you get the money?

Mr. CROLL: I would never ask him. I would not waste time on him. But when a man comes to me and asks for an old age pension, I do not ask him: Where shall we get the money? That is my job, not his. I merely discuss it with him, as to whether it ought to be more or less, if we can find a way of doing it. These people suggest a method of doing it which may or may not be good. But they are certainly not experts on it, and any opinion they gave would not be the last word with me anyway. I would want to see what the Treasury Board had to say with respect to it and I would want to apply whatever knowledge I had myself. But if we are going to pursue it, there are some more questions I would like to ask.

Mr. COTE: The C.C.L. is a strong national organization in this country and I think they should be allowed to air their own views on the financing of any scheme of old age pensions. I think it is quite in order that they should be allowed to give that.

Mr. CROLL: My point is that they say they are prepared to pay taxes in order to get benefits—and that is as far as they could go.

Mr. COTE: That is their view.

Mr. CROLL: Yes, they are prepared to pay taxes—which is going a long way.

Mr. MACNAUGHTON: In view of paragraph 27 we are surely entitled to any theorizing beyond the suggestions put forward—

By the Chairman:

Q. That is what I am after. This morning Dr. Forsey gave some explanations on paragraph 27(b) but, I suppose that you, Mr. Conroy would be in a

position to answer my question. By paragraph (b) you mean an increase of 25 per cent on the existing rates, is that correct?—A. That is our approximate figure.

Q. That is to say a man earning \$1,100, who is taxable at 15 per cent would have to pay an additional 25 per cent of the 15 per cent?—A. It would work out on that percentage basis I suppose.

Q. Now, in paragraph (c), from a further discussion we had this morning it was clear that we might be forced to lower the exemption levels for the specific purpose of collecting money for old age pensions. Then when you lower the exemption levels you are increasing the rates for everyone who is already paying income tax—is that true?—A. We answered that this morning, Mr. Chairman, and I think the same answer goes now.

Q. The question was not asked this morning.—A. We will not argue about that. We believe we answered it but we are willing to answer it again.

Q. Would you answer?—A. Oh, yes.

We think that we are sincerely desirous of protecting the aged people of this country. Notwithstanding how it is financed or where the money comes from as a nation, as a collective people, we have to be prepared to pay for it. This is not a question of unorthodoxy versus orthodoxy; it is a question of fact. If we are going to assume this responsibility for the aged people which we think we should do, we have likewise got to assume the responsibility for payment.

You referred, sir, to the most important aspect of this whole question—that is the finding of the money. I agree with you that it is extremely important—hence our desire to measure up to our responsibilities in that respect.

I suggest a factor of co-equity in importance is not merely the finding of the money but the will to find it. If we have the will to find it I think we can argue as a collective group of individuals that this is our responsibility, then as a nation we have got to face up to it.

Q. Is that your direct answer to my specific question on paragraphs (b) and (c)?—A. Yes, sir.

Q. Well, if it is your way of answering, I have no more questions to ask—on financing.

Mr. CROLL: Mr. Chairman.

The CHAIRMAN: It is quite clear—

Mr. CROLL: It is clear that the witness answered—he has been on the stand from 11 o'clock; he has been frank; he has been honest; he has given the very best answers he can; and they have been intelligent answers.

The CHAIRMAN: Well, I would like to have an answer to the question which I just asked?

Hon. Mr. FOGO: Well, Mr. Chairman, I do not think the witness understood the question. If I remember the question correctly, I think you asked if that would result in an increase in rates?

The CHAIRMAN: An increase in rates, yes.

Mr. FOGO: Which I do not believe Mr. Conroy understood as being the question. Frankly, I think the Canadian Congress of Labour has been useful to this committee in suggesting possible avenues for raising the large sum of money and, as Mr. Croll has said, it is not the duty or responsibility of the Congress to do that, but, in so far as they have been able to suggest possible ways of raising money I suggest it has been useful—because they have pointed out avenues of taxation that may be open.

Dr. FORSEY: May I say something in answer to the question?

The CHAIRMAN: Mr. Forsey agrees that I have not been answered.

Dr. FORSEY: No, no. I am not agreeing that my chief has not answered.

The CHAIRMAN: We will leave it at that.

Dr. FORSEY: I merely want to add something to what Mr. Conroy has said. It seems to me that the answer to the specific question of whether lowering the exemption would mean higher taxation for everyone is clearly yes. I do not see anything difficult about it.

The CHAIRMAN: That is what I wanted.

The WITNESS: I told you that.

The CHAIRMAN: Then you would agree that the increase under paragraph (b) would account for more than 25 per cent—it must be more than a 25 per cent increase.

Dr. FORSEY: It is a separate point, Mr. Chairman. We simply tried to point out under (b) what roughly would come from an average increase of 25 per cent on existing incomes and existing exemptions. We also went on to point out there was this possible way of raising revenue—by lowering the exemptions which, as you point out would result in people like me paying more—which I am quite ready to do.

The CHAIRMAN: It would mean for those who are already paying income tax an increase of more than 25 per cent over the present rates.

Dr. FORSEY: Taking the two together on an average yes, unquestionably.

Mr. CROLL: Mr. Conroy, is it true or untrue that at the present time we have the highest exemptions and the lowest taxes—as compared with the United States and Great Britain?

The WITNESS: I think that is true.

Dr. FORSEY: I would like to add just one thing about this matter of financing and taxation. There are other possibilities which could have been suggested here and we considered putting them in but rejected the idea because of our very strong conviction that this should be financed in the most progressive and the least regressive way possible. You could, for example, say, let us boost the sales tax. We are not in favour of that because we think that would be regressive taxation—in spite of the fact that certain necessities are exempt from sales tax. Also if we were going to increase the present tax, the increase should be graduated to make it as progressive as possible. That is one reason why we do not suggest the kind of thing they have in New Zealand, a flat rate social security contribution. Apart from any constitutional difficulty there might be, we think that would be undoubtedly regressive.

By Mr. Cote:

Q. In view of the lengthy discussion on the matter of financing the scheme, as proposed by the C.C.L., I would like to come back to the question which I put this morning concerning the level which is suggested for the non-contributory basic pension of \$50. Have you, Mr. Conroy, given any thought to the setting of that basic pension at \$40 or even \$30 and re-adjusting, in the scheme of the contributory pension, to make up for the difference in the total amount which is required as the minimum requirement for living?—A. We have not given consideration to it, sir, I think on account of the realism of the situation.

Q. I understand you are advocating a contributory scheme with graduated contributions?—A. Yes, but you have such a large volume of people who cannot contribute, who for years have been drawing an old age pension and no other, other than the allowable \$10 a month, that if you set the pensions at a nominal figure of \$30, \$35, or \$40 a month, they could not be beneficiaries of the contributory system.

Hon. Mr. Fogo: You have in mind, Mr. Conroy, that under the contributory system you can only have limited coverage in this country. It would not be anywhere near complete coverage.

Dr. FORSEY: At the beginning; benefits for people retiring now or in the near future would necessarily be very small as the New Zealand information shows.

May I answer a little bit of the question Mr. Côté is asking? The precise idea was presented to me this morning by one of my colleagues who had heard it from somebody who had heard it from somebody else. It was: would we be interested in taking a smaller basic flat rate pension and a contributory scheme on top of that? I said, as far as I was concerned, "no"; because I think the contributory scheme is going to be a matter of some considerable difficulty. In addition to the points Mr. Conroy made it is going to be a matter of considerable difficulty to get it started—constitutional difficulties will supervene.

This is the particular proposal as it was put before me—to get a flat rate pension of \$30 now in consideration of a lovely contributory scheme when it comes. The trouble is that a lot of people would be cut from what they are getting and they may never see the contributory scheme. It may not arrive in time for my grandchildren to draw benefits.

Mr. CROLL: That is not true. The American scheme has returned dividends in fifteen years; the New Zealand scheme in twelve years—

Dr. FORSEY: But they have got them started.

Mr. CROLL: But you are talking about your grandchildren.

Dr. FORSEY: Well, I am pessimistic about these dominion-provincial conferences in spite of Mr. Conroy's optimism—I do not feel the same way. I do not think that the constitutional conference last January did more than open the question. The real problem of what things are going to come under which section is still to come, and I think that it is going to be extremely tough.

Mr. COTE: I am getting on to part II, Mr. Chairman.

The CHAIRMAN: I have one question before we go on to number II.

Mr. COTE: I would like to make my point under No. 1 as to the reduction of the basic universal pension.

The CHAIRMAN: Very well.

By Mr. Cote:

Q. Would you not think it advisable, to get the contributory scheme started, and to give immediate protection to the older contributors who may not have time to get in enough contributions to build up a sufficiently high pension, for the government to do what they did to get the supplementary benefit scheme under U.I.C. started—that is to do a little underwriting? I am asking for your opinion.

Dr. FORSEY: They called upon the contributors to the unemployment insurance fund to do most of the underwriting there.

Mr. COTE: No, no, the payment of supplementary benefits did not touch at all the unemployment insurance fund?

Dr. FORSEY: It touched the contributors' share. I read the debates and certainly the contributors were called upon to contribute something.

Mr. COTE: Yes, of course, but there were cases where there were supplementary benefits paid to people who had not contributed or had not accumulated enough contributions?

Dr. FORSEY: Certainly.

Mr. COTE: In that instance the government did underwrite the scheme and I ask whether there could not be anything like that done to get the contributory scheme started and to assure sufficient protection for all?

The WITNESS: I think it is a possibility but certainly not a probability because, if this committee which is a fairly representative cross-section of the House of Commons, and I think quite legitimately so, is concerned with the saturation point in finding the money, how then they can find any sizable sum, with the comparatively small margin available now, to subsidize the non-contributory scheme, I am at a loss to understand.

Mr. COTE: Do you not think it would be easier to finance a scheme such as that, than the one which you advocate—with the basic amount of \$50?

The WITNESS: I do not think there would be the same impelling motive to do it.

Mr. ROBERTSON: I would like to draw the attention of the witness to the statement in paragraph 31 on page 9 where they propose to give the pensioner a bonus of 2 per cent each year. "The Congress believes that it would be safe to fix the increase in productivity arbitrarily at 2 per cent and give to pensioners a bonus of 2 per cent a year—" I would like to ask Mr. Conroy why he favours this procedure which seems to me to be a very rigid procedure, as opposed to one of periodic survey of the situation and taking into consideration the production of the country, the standards of living, and the cost of living in the country. To me it would seem to be much better to handle the situation by reviewing it periodically?

The WITNESS: We are prepared to submit to any better procedure that may be adopted by the government on the recommendation of this committee or the House of Commons. It is shown here as a basis or principle that if we are going to apply a redistribution of income based on an increase in wealth and production there must be some yardstick formulated.

By Mr. Robertson:

Q. You are assuming that production is going to be of a certain amount—and I do not think you can do that. If you dealt with the situation as it exists five years from now, rather than what you think it will be in five years, I think you would be on safer ground?—A. We think we are on safe ground, having in mind the recorded increases in the wealth and production facilities in the past.

Q. That would be on 1935 on?—A. No, no.

Dr. FORSEY: May I interrupt? This 2 per cent thing is based on what is generally recognized by economists all over the western world as being the average rate over a very long period of years—possibly fifty or sixty years back, and it is the average increase in productivity.

The CHAIRMAN: Would you allow me one question on this? Does your proposal mean that the pension should be adjusted only if in fact productivity actually rises by 2 per cent or would the adjustment be automatic each year?

Mr. ROBERTSON: That is what the brief states.

Dr. FORSEY: I think the latter.

The CHAIRMAN: Which would mean that in five years from the inception of the scheme the basic payment would be \$60, and in ten years it would automatically be \$70.

Dr. FORSEY: Is not your arithmetic a little off there?

The CHAIRMAN: 2 per cent of \$50 each year for five years is \$5. Then it would be \$60 in ten years.

Dr. FORSEY: We are quite convinced, sir, that this 2 per cent is a very moderate estimate of what may be expected. After all, it takes into account, as I say, the average over pretty well the whole western world for a period of possibly sixty years or so, and a period that includes colossal depressions. Possibly we have an overweening confidence in the authoritative pronouncements

that have been made about maintaining a high level of employment and income in this country, but frankly I am fairly optimistic about that—if only because of the existence of the cold war. Perhaps Mr. Stalin is the best friend the capitalist system has got. He helps to keep it going fairly well. I think, in view of the enormous increases in productivity that are taking place now, that it is quite possible this may turn out to be an extremely modest estimate.

The CHAIRMAN: It may turn out to be excessive?

Dr. FORSEY: Well, this is not the law of the Medes and the Persians—this is merely a suggestion and there is nothing to prevent parliament from reviewing it. The suggestion coming from Mr. Robertson about periodical review would not conflict with what we suggest.

The CHAIRMAN: We are taking your brief as it is. We are not criticizing but we are just asking what would be the effect of the application of your suggestion.

Mr. ROBERTSON: I would like you to point out why you think this is better than a method having a periodic examination?

Mr. CROLL: As a matter of fact I do not think we should lose sight of the fact that if we decide that everyone should get \$50 or \$60 today, then tomorrow it will be reviewed in parliament for an increase, and it will be constantly reviewed in parliament. If we decide this, someone else will be reviewing it morning, noon and night.

Mr. ROBERTSON: You do not approve of this method, Mr. Croll?

Mr. CROLL: I never thought of it before. I like the suggestion because it gives me something to think about.

Mr. ROBERTSON: You are suggesting that parliament will review it?

Mr. CROLL: Of course it will.

Mr. ROBERTSON: That would be a much better way.

Hon. Mr. Fogo: In 1926 or 1927 we started with a \$20 level so, in practice, these things do increase whether it is done on the basis of 2 per cent a year or not. We have seen it happen.

Dr. FORSEY: There have been enormous increases in the cost of living since then.

Mr. CROLL: Dr. Forsey is a little bit steeped in the New Zealand system and he has got it in the back of his mind. That is where they have an automatic increase and I realize what he is thinking about, but it is a new thought for us at the moment.

The CHAIRMAN: But in New Zealand it is an increase on the over-all pension and here it is only on the basic pension?

Mr. CROLL: What other pension have you got now?

The CHAIRMAN: It is only part of the C.C.L. proposal.

Well, is it the wish of the committee that we go on to section 2, the contributory system?

Dr. FORSEY: I think it begins at section 28 and it is really dealt with in sections 28 and 29.

Mr. CROLL: As I see your suggestion there are two ways of handling it. One is to have a flat sum benefit and the other is a graduated benefit, and you are in favour of the graduated benefit—and that is that. I suppose your answer is that if a man pays more he gets more. That is the effect of your presentation, is it not?

The WITNESS: It is about on the same principle as unemployment insurance.

Mr. CROLL: Yes, that is what I meant.

By the Chairman:

Q. Mr. Conroy would you have in mind a system in which a fund would be established? A reserve? An actuarial fund?—A. First, of course, the fund has to be actuarially sound. That goes without saying. I suppose a reasonable time limit might be allowed to elapse to build up the fund—the same as in the case of unemployment insurance.

Q. The same as for unemployment insurance. You do not have in mind a pay-as-you-go contributory system?—A. I think it always gives everyone a greater feeling of comfort if they have sufficient resources for the rainy day.

Q. One of the objections that we had yesterday building up a reserve fund had to do with what is happening in Switzerland. I do not know whether you are aware but someone has contended that the reserve fund for old age pensions in Switzerland is almost equal to the over-all debt of Switzerland?—A. Yes, we have some knowledge of that and perhaps the most notorious example of the situation was the unemployment insurance fund in Great Britain. I doubt if anyone had control over what happened, but during the 20's and the 30's when the fund became bankrupt it had to be subsidized by government moneys. I doubt if the average man would have any serious objection to the initial payments of the contributory system being delayed until there was a reasonably sound reserve built up to make it solvent.

Q. It means the keeping of individual records for a great number of years?—A. Yes, it has that shortcoming too. It means individual treatment which may result in having fairly heavy administrative costs. I think the last figure I have on administrative costs of social security in the United States is between \$50 million and \$60 million a year. Of course they have a much greater population than we have.

Q. Proportionately?—A. Proportionately, it would probably be as heavy.

By Mr. Cote:

Q. Have you any suggestions to make as to the scale of contribution?—A. Well that is not an easy thing to answer. I would say that you would have to judge the condition of your economy at the present time, living costs and so on, before you could get a reasonable figure.

Q. At the present time, taking the average takehome pay of the wage earner in this country as being roughly \$40 a week—A. \$42 I think.

Q. What would you suggest might be considered as an equitable proportion of his wages—the contribution on a flat rate—for that category of wage earner?—A. That would be based on the presumption, I suppose, that you had first of all established a reasonably satisfactory pension as of right.

I am now pre-supposing that that would be established, and that a contributory system would be functioning, which would depend on the amount of money established on the payments of the first system. If you paid \$50 which we asked for, it would of course make it unnecessary to pay a much higher amount on a contributory basis. But as to the suggestion of \$30, I think that would depend on the minimum basic pension which was established.

Q. But taking the basic pension as \$50, the amount you suggest. How high would you say the average wage earner would be willing to go in the way of contributions?—A. The contributions would have to be worked out on a mathematical basis the same as unemployment insurance. We have been making a drive in Canada for private pensions of a nominal amount of \$100 a month. And I suppose if we had a basic pension established at \$50, or somewhere along that line, it would make up the differential between \$50 and \$100. We would regard it as a basic contributory amount. It might be \$5 or \$10 either way.

Q. On an actuarial basis?—A. I think it would have to be on an actuarial basis.

By the Chairman:

Q. Would there be any governmental contribution?—A. I presume there would be on the same basis as unemployment insurance.

Q. So, apart from the payment of the total basic pension, your suggestion would be that the government would, each year, pay $\frac{1}{3}$?—A. Approximately.

Q. Of the total contributions to the fund?—A. It would have to be worked out on an actuarial basis.

Dr. FORSEY: Is it that much under unemployment insurance?

The CHAIRMAN: $\frac{1}{3}$.

By Mr. Cote:

Q. And in addition to that, I believe the government meets all the administration costs.—A. The administration cost of unemployment insurance, I think, is comparatively light as compared with what it might be with a contributory pension system.

Q. Administrative costs of the national employment service are pretty high, are they not?

The CHAIRMAN: Is it very high if you do not add it? If you take the administration costs of unemployment insurance alone?

By Mr. Cote:

Q. I think it is relatively low.—A. I think it is about \$10 million to \$12 million.

Mr. SHAW: I understand that Mr. Conroy said a few moments ago that he wants to see the establishment of pensions on a contributory basis and that a reserve would be a desirable aspect of it. I was going to ask Dr. Forsey if he agreed with it. I stated that Mr. Conroy said he would advocate a contributory scheme which was actuarially sound, and that it would be a good thing to have a reserve under that scheme. And my question to Dr. Forsey is: would he agree with it?

Dr. FORSEY: Frankly I must say that I do not know nearly as much about this subject as I ought to know. This question of contributory pension is something on which both Mr. Conroy and my assistant, who had unfortunately to go to Chicago this afternoon, are much better informed than I am. So I do not think I could usefully add anything to what Mr. Conroy has said.

The WITNESS: First of all I think it has to be actuarially sound. Otherwise the fund would go bankrupt.

By Mr. Shaw:

Q. My second question was on the basis of the British scheme where they endeavoured to depart from the non-contributory scheme. But the result is that a greater and greater amount is being taken out of the public treasury as a further supplementary amount.

Dr. FORSEY: For what purpose?

Mr. SHAW: In order to keep the fund sound.

The CHAIRMAN: You mean to keep the fund going.

Mr. SHAW: Yes, to keep the fund going.

Dr. FORSEY: But that is an over-all scheme. They are not taking large sums out of their public treasury to subsidize an old age pension?

Mr. SHAW: Oh no. But the principle would be the same under any contributory scheme, whether it be for old age pensions or for national assistance.

Dr. FORSEY: I think it would depend on the basis on which it was set up. The contributions in the first place would have to be made on an actuarial calculation.

Mr. SHAW: In Britain they have not worked it out on an actuarially sound basis as it applies to the three-way contributions, because it is taking further, further and further amounts out of the public treasury to keep the thing solvent.

Dr. FORSEY: I understand there had to be much larger expenditures for the national health service than were contemplated, but I did not know that it had anything to do with the contributory scheme.

Mr. SHAW: We studied the contributory scheme and we found they were trying to move away from the non-contributory field, but they are failing in the end.

The CHAIRMAN: It is a new system they started in 1949 and it is on a pay-as-you-go basis. There are contributions by the employer, contributions by the employee, as well as a large contribution by the state. It is on a pay-as-you-go basis without building up any fund. Only the yearly balance can be carried over from year to year.

The WITNESS: I think the government of Canada showed much wisdom in starting out with unemployment insurance during the war when employment was full, and building up a specific reserve to be ready for any contingency that might arise. And I think at least on the same principle it would be wise to build up reasonable reserves and to set a specific date when payment of these things might start.

By Mr. Shaw:

Q. I presume you would agree that your three-way contributory scheme would have to be actuarially sound in itself?—A. I think it has to be. You cannot pay out any more money than you get.

By the Chairman:

Q. It would be about the same system that they have in the United States. Do you mean universal coverage or partial coverage?—A. I do not know how you are going to get universal coverage. I think the coverage is possible, but are contributions possible? That is another story. How are you going to get contributions from self-employed people, for example?

Mr. CROLL: They are doing it in the States. They already have a scheme there to reach farmers. And after they do that, they will be reaching perhaps 73 per cent of the population.

The CHAIRMAN: But that is not in HR 6000, not for the farmers?

Mr. ROBERTSON: I think it is being contemplated, though.

Mr. CROLL: They are going to cover domestics immediately, and also they are going to cover the self-employed.

The CHAIRMAN: A certain part of the self-employed.

Mr. CROLL: Yes. They are trying to collect from the farmers by means of a stamp system.

The CHAIRMAN: But that is not covered by HR 6000. Delegations of farmers are being heard by the Senate, and I understand the view of the farmers is that they be not covered by HR 6000. But no decision has been taken as yet. Is not that correct, Dr. Davidson? It is.

Mr. SHAW: But the self-employed are covered as they are in Britain?

The CHAIRMAN: Yes, exactly.

Mr. CROLL: In the light of that experience, we want to cover everyone. And I think there was some doubt in the witness' mind whether we could or could not. But there should be no doubt about it.

By the Chairman:

Q. I would like to have the views of the witness on it. If there was a contributory system such as is mentioned in section 28 and section 29, this contributory system would mean total coverage or a partial coverage?—A. I would say that you would run into some difficulty, just as your income tax branch runs into some difficulty. But there might be one way out of it. Let us say that we set it up on a similar basis to unemployment insurance with a number of classes. I think there are eight classes under unemployment insurance now.

I believe it is fairly traditional—let us take farmers for instance—that book-keeping efficiency of farmers leaves much to be desired. I do not say that to detract from the position of the farmers at all. It may be the nature of the industry itself.

Q. Exactly.—A. How can you follow the gyrations of a farmer's income on a graduated basis? I do not know. But you might say that a farmer is entitled to a basic minimum benefit from a basic minimum contribution.

By Mr. Croll:

Q. I cannot understand Mr. Conroy's telling me how to run my own business. We are asking him in principle: What is the purpose of this? He does a good job as secretary of the Canadian Congress of Labour. That is his job. We are asking him if in principle he agrees. He can say that he does or he does not. We will find methods of how to cover it. He is not an expert in knowing how to do it. At least I hope he is not.—A. I am at a loss to know how to answer your questions. First of all I am charged with evading them; and secondly—

By the Chairman:

Q. I am quite satisfied with the answers you are giving me now, Mr. Conroy.—A. Thank you.

Q. And I believe that the witness— —A. May I assure you, sir, that we have no desire to tell you how to run parliament.

Q. I am sure of it. If we invited you to come, it was because we wanted to get information from you.

By Mr. Croll:

Q. All right. What is his opinion?—A. I think its operation should be slightly improved.

Q. Just slightly?

By the Chairman:

Q. Could you tell me if the members of your organization would in general oppose a contributory system which would be compulsory for wage-earners and voluntary for the self-employed? Would they oppose it?—A. I would say that it would depend on the benefits involved. I do not know how you could have an admixture of two things: voluntary payments and automatic benefits. I do not see how you can leave it to John Jones who may be beyond the wage-earning class entirely to say: I shall pay this tax on a contributory basis if I see fit; and then have him come along and say: Whether I paid enough or not, my benefits are automatic.

Q. No, no. I have in mind an insurance system where the benefits would be related to the contributions because I think that is what you had in mind. If the benefits are related to the contributions, would the members of your organization oppose the system if it was compulsory for wage earners and voluntary for the others?—A. I do not know what you mean by "voluntary".

Q. The self-employed could choose to enter or not to enter.—A. I think that might be the responsibility of the self-employed themselves.

Q. You do not believe that the members of your organization would not be satisfied if they were obliged to enter, while the others would not be obliged?—A. I think that is a matter of development. I think first of all you have got to—and I hesitate to say that in view of Mr. Croll's telling me that we are presuming to run his business.

Q. No. In the opinion of the members of your organization?—A. I do not think we would have any objection to self-employed people, if they so desired, staying out of it; I think that would largely be determined upon an assessment of a cross-section of the people who were self-employed.

By Mr. Croll:

Q. How does that fit into your suggestion about an over-all social security scheme? What happens to the man who did not enter when he reaches the age limit and has not anything? What would you do with him?—A. We are presupposing that this is so, that this is supplementary to the basic pension as of right?

The CHAIRMAN: That is the way I understand it.

By Mr. MacInnis:

Q. Are you in favour or are you opposed to an old age pension system or to a social security system based solely on the insurance principle?—A. Traditionally we have asked the government for a social security system on a contributory basis. But failing the lack of it we now ask for a pension as of right and which we think, even at the best, at \$50 would still be inadequate and must be supplemented by a contributory system.

Q. But my question is: what is your position in regard to a social security system or an old age pension system based on the insurance principle, that is where the benefits received would be in relation to the contributions made?—A. We have already suggested that we think it should be in proportion to the amount paid in, that is the amount they should draw out.

Q. But only as supplementary?—A. Oh yes.

The CHAIRMAN: That is what Mr. Conroy said a few moments ago.

Mr. MACINNIS: Then the result would be that without a flat rate system he would be opposed to it, he would be opposed to the insurance principle alone?

By Mr. Croll:

Q. Without a flat rate system?—A. Oh yes.

The CHAIRMAN: Without a basic pension being paid.

Mr. CROLL: Yes, he said that.

By the Chairman:

Q. But if the basic pension should be paid at a later age than the lower age to which the contributory system would apply?—A. I was going to say that you set your basic pension as of right at the age of 70?

Q. Well, yes, and the contributory system at the age of 65.—A. On principle we are committed to 65. But I suppose your payment on a contributory system would have an important bearing on the soundness of the scheme itself, and the reserve which you built up would be an additional factor in considering whether in principle the same age of 65 should apply across the board.

Q. But if?—A. But if; that reminds me that the late President Roosevelt said: it was an "iffy" question.

Q. Yes, it is.—A. I cannot see this government introducing two age levels, one at 70 and one at 65. I think by the process of elementary reasoning your age level on a basic pension at 70 automatically falls to the ground. I think

the two have to be fairly well harmonized. How can you justify one age in one system and then say that it would be bad in the other system? I do not know.

Q. The cost?—A. The cost may be a factor.

Q. The cost is the factor.—A. Although, if you build up sufficient reserves the cost is being paid for anyway, and it would lose much of its major consideration.

Q. Yes. But on a contributory scheme the contributions are paid by the individuals who are going to benefit by it; whereas the other part is paid out of general revenue.

By Mr. Brooks:

Q. With five years difference in the age, do you not think that a man of 65 would have a better chance to supplement his contributory pension by employment?—A. We dealt with this question this morning under the heading of retirement. We pre-suppose that the majority of people of 65 years of age have an inclination to quit; but there are always exceptions. We do not think it should be made compulsory for anyone to retire at 65 who considers that he is fit to continue working.

Q. I think 35 per cent is the figure?

By Hon. Mr. Fogo:

Q. It is a matter of recent record. Where a man under a scheme has to retire at 65, it is elective for several years thereafter. I think I saw a figure somewhere to the effect that the age of men who actually retire is in the vicinity of 68 years on the average. I do not know. You probably know more about it than I do.—A. We have a substantial number of people at the Ford plants at Windsor and Detroit who, based on the original negotiations between the company and the union would have asked to retire at 65 years of age. But these men have two reasons. First of all they came in on the payroll quite late; secondly, they feel pretty spry at 68 years of age and they want to continue. I do not know what the percentage is.

Q. The figures are probably not complete.

The CHAIRMAN: Are there any other questions on this contributory system?

By Mr. Shaw:

Q. I think Mr. Conroy referred to a certain agreement in connection with recent negotiations. I believe labour claim that they secured that right?—A. It is optional at the age of 65.

By the Chairman:

Q. We are on industrial pensions. That is the third item, industrial pensions. I am not sure, but it seems to me that the main principle with which you deal here is that industrial pensions should be the sole responsibility of management. Is that correct?—A. Yes. We have taken that from the established record in most cases. The employees in many cases of this kind are on a non-contributory basis. I think I should say that there is a rather peculiar history attached to private pensions. Despite much of the debate and controversy today, it would appear from the press coverage that this is a new and a novel thing being initiated by labour, and which is being strenuously opposed by industry; whereas it is almost the reverse in fact.

Going back to 1890, or more notably to the 1900's, for bad reasons and I suppose for many good ones, at least from the Trade Union viewpoint, it is a fact that in those days when the Trade Union movement was comparatively weak, industry initiated the non-contributory pension scheme, while the trade unions opposed it.

The theory prevailing in industry at that time was that not only was industry initiating these pensions and welfare schemes for its own selfish benefit in terms of building up loyal employees, but that it was initiating them as a form of strike insurance, to keep the unions out of industry and what not.

I do believe, of course, there were some far-sighted managements who might have regarded it as a consideration on a human level, and at the worst I think this far-sighted management might have been indulging in some selfishness. But the unions opposed them in those days for the stated reason that management was taking them up in order to keep unions out of industry.

But in the process in Canada over the last generation and a half, both on a contributory and a non-contributory basis, there are now roughly about 1 million workers in Canada who are covered by a variety of plans, and it is a fact that what the unions are now asking for is an extension and an expansion and a rounding out of what industry pretty well started itself.

Perhaps the objections of industry are mostly centred not on the number of the plans but on the amount of money involved. They may think that the amount which the unions are asking for is too great and that they cannot afford to pay it.

Q. It is all the principle of the thing.—A. No. I think industry has pretty well established the principle.

Q. What about small industries?—A. Of course that is a problem too.

Q. Yes, that is a problem.—A. I think it is almost obvious that a man with more money is going to be able to shoulder more responsibilities than a man with less money. It is just as simple as that. But I think in terms of what the figures may establish that the final plan which may be developed between industry and the unions will ultimately be determined on the capacity of the company to absorb a given amount. It may be \$90 in one plan, \$100 in another plan, or it may be only \$50, or \$60, or \$70.

There may be some abuse of a recent plan which was adopted by Ford in both Detroit and Windsor. That plan was regarded as a yardstick; and that is one of those half truths which just does not apply across the board. It might be taken as a guide, or it might in comparative situations be a yardstick. But the final determination of any plan I think will depend on the capacity of industry to bear it. The amount will fluctuate up and down.

Q. It involves discrimination as far as security for the old age of workers is concerned?—A. In what sense, sir?

Q. Well, if in one industry they have a \$100 a month pension and in another case because of the incapacity of the management to pay they have nothing, then there is surely discrimination or a difference in treatment? It is perhaps not discrimination but it is difference in treatment?—A. I do not think the gap is quite as wide as that. Say that X industry can pay \$100 a month and Y industry can pay nothing.

Q. A small industry, yes?—A. Even a small industry, I think, will be able to pay something. It may be a considerable departure from the \$100. I think that would be taking the case to excess to say that there is such widespread difference between the capacity of any company to pay any man.

There are many facets to this question which can only be resolved by experience. From the union point of view it is only in the initial stage of development. There are many arguments and I think one of the most pronounced is that it mobilizes labour to a given plant. Great stress has been placed on that factor—which I think has been exaggerated in the extreme. Given individuals say, well, this is going to tie a man to a job; at least by implication, what they are doing is putting a premium on mobility, or Nomad or Bedouin labour, where we have men marching from one job to another. Perhaps the psychologist can give us a better answer but I think it is largely a phoney argument.

I think in the main most men, and particularly family men, want to get rooted down in a given position, in a given job, in a given locality—and particularly that is true when they begin to acquire vested interests in their own property—such as homes. I think it is almost automatic that there is a natural tendency for a man or woman to stay in a given job as long as possible. The exceptions to that are the young fellows and the young women who have not settled down and who want to jump around quite a bit before they do settle down, get married, and raise a family. I think in time they become comparatively static as a whole, and I do not think that argument, although I admit there are exceptions, stands up as a basic argument against the private pension. I think the natural tendency of the human being is to become rooted down, get a home, and that sort of thing.

Mr. BLAIR: That is still more applicable in the case of the skilled tradesman?

The WITNESS: You mean the mobility?

Mr. BLAIR: Moving from one job to another. If a man were a skilled tradesman he would stay on a job?

The WITNESS: There are exceptions. Take the construction industry—which is an extremely mobile industry. The majority of people in the industry are skilled mechanics. By virtue of the nature of the industry itself they perhaps move around more than any other classification of worker than one can think of. Because of the increasing bargaining power of unions with industries that employ as high as 50 per cent unskilled and semi-skilled labour, I think it is a fact that in the final analysis the mobility or immobility of labour will be determined by economic factors—wages. If wages are good enough to induce a man to stay he will stay; if not, he is going to move—pension or no pension. He is going to try to get the best wages he possibly can. If he had a decent wage, supplemented by a pension negotiated by a union, I think there is added stimulus for a man to remain put.

By Mr. Croll:

Q. If I recall correctly, the Chrysler contract gives the worker a right to part of his contribution or part of the fund after fifteen years—to differentiate between that and the Ford contract?—A. Yes, that is the latest development in it.

Q. That is the trend to overcome your immobility is it not?—A. That is right. As I said, these things are new and in the process of evolution. Many things that appear as difficulties are going to be taken care of year by year.

Q. But you are not willing to wait on evolution with us. You want us to go faster than that?—A. We have almost given up—the way you fellows move. We have had this promise since 1919—how long do you want us to wait?

The CHAIRMAN: Are there any other questions on industrial pensions?

By Hon. Mr. Fogo:

Q. I have a question in the light of Mr. Conroy's remarks about the coverage of industrial pensions and the reference in the brief to the present coverage and increasing coverage by industrial pensions—both contributory and non-contributory. I am wondering if, as a second step, this contributory government pension scheme—if I may call it that—is not to some extent a duplicate of the industrial pension schemes as we know them, generally? It seems to me that tends to occupy the same field—it might have wider coverage, of course?—A. Gentlemen, you are forcing me to make a rather abject confession which I now propose to make.

I sincerely doubt, and I hope I am wrong in this, whether much of the discussion and concentration on pensions would now be taking place if the unions

had not assumed the offensive on this question on a private industrial basis. Here is our reasoning.

Year in and year out we have said to the government of Canada that we wanted these measures of security. We have asked for a complete package covering everything. Up until now, for reasons good or bad, the government has not moved. The government, I presume, has taken that position because it did not believe there was sufficient public opinion behind it to warrant introducing the schemes we have asked for.

Certainly there has been a good measure of opposition to the things we have proposed. As the government claims to be the representative of all people they have not thought fit to introduce those proposals because they represented purely labour opinion. But it is an important thought that this expressed opposition to the viewpoints of labour on this question has had a very consistent tone all through the piece. That is, it has been regarded as a bad thing which labour was asking for, and I am not doubting the sincerity of those who espoused these views, because they said it involved too much leaning on the state.

We would gradually get in a position, as individuals and collectively, that piece by piece, by leaning on the state, we were going to fall in to the lap of the state, be absorbed, and submerged. That, in the main, has been the argument against the program of labour in this respect.

So, labour said to free enterprise: All right, you do not believe in leaning on the state; you believe that everyone should exercise his individual initiative. And presuming under free enterprise the system of individual initiative is not the sole prerogative of a few top men at the head of industry, labour will exercise its own prerogative as an institution operating inside free enterprise. It said in reply to industry: All right, if you do not want us to lean on the state and get a pension from the state we will exercise our individual initiative under free enterprise to go after industry itself to pay for that pension. That thinking is now in the process of being applied.

The result is, and I think it is a fair statement, that industry is becoming to some extent alarmed about labour taking industry at its own word. In the event of us getting a basic pension and a contributory pension, which would seem to the Senator to leave the application of a private pension as a subsidy or unnecessary, I would say there is still a pretty wide field for more pressure by labour to move industry in the same way it has moved it in this pension question. If we got \$50 a day—Q. A month?—A. Oh, a month, I beg your pardon; although there are some not too far away getting \$100 a week—but that is only an interpolation—we have a whole hoard of things such as provision for sickness, and provision for illness, which governments for good or bad have not seen fit to bring to the fore for inclusion in the government scheme. So, if we get a basic pension of \$50 a month as of right under the non-contributory system, and supplement it by \$80 or \$90 a month by contributory pensions from industry, then we can tell industry that we want it to move on these questions of sickness and illness and so on, in an effort to get the government to bring in pensions to lessen the load on industry. There are other fields to explore. We believe that when a man is off he should be paid by industry, but, if industry does not want to pay it, we can say let us jointly go to the government to have that question solved as a whole.

That, briefly, is our reasoning. We made little or no progress with the government, at least in tangible form, until we began to press industry for the provision of pensions.

Mr. Brooks: Your brief says that in Canada most of the present plans, that is industrial plans, were initiated by the employers?

The WITNESS: I agree with you—but they were a long way from being satisfactory.

By Mr. Fogo:

Q. In the first place?—A. We have some pensions as low as \$20 or \$25 a month.

Q. A very substantial portion of that one million you referred to are now covered by contributory schemes?—A. I suppose that is true.

Q. I am thinking of the civil service, the railways, and a number of organizations which have had pensions for some years on some or other of the contributory bases?—A. I think it is also indisputable that even your superannuates within the country have been asking the government for supplements to their pensions.

The CHAIRMAN: Oh, yes, we have had their brief in the committee.

Now there is a fourth section—assistance on a means test basis. I will say that was a surprise to me, Mr. Conroy, since you have advocated the complete abolishment of any means test system.

The WITNESS: Well, sir, we anticipated that you would be surprised, and so here is our story.

To us at least there is just no relationship to the means test as existing, which prohibits people from receiving anything for a variety of reasons, to the proposals made by ourselves, that in asking for a specific amount which we regard as reasonable pension payment, there may arise circumstances, cost of living factors, and what not, which may make the figure of \$40 or \$50 a month as the case may be, just as inadequate as the present pension level is. Based on the circumstances of the individual, we think consideration ought to be given to supplementing that basic pension.

By The Chairman:

Q. It would be more of a needs test than a means test?—A. We will not quibble over words.

Q. No, but there is a difference in other countries between needs tests and means tests. There is quite a difference between them.—A. Well, I would guess that it would be a matter of words. In the final analysis it involves the means at one's disposal—the means in one's pocket.

There is one sure thing, however, and it is that our proposal will not follow people into the grave as the means test does now. We presume this committee will recommend our \$50 a month at age 65 to the House of Commons, and that you have thereby agreed with us that it is a reasonable basic pension for people to exist upon; but in the event that you, and we hope you will not, take \$40 a month as some papers seem to have been prophesying for some months, that amount may prove to be just as inadequate as the present pension levels are and may have to be supplemented.

Q. Who would administer that part of the system?—A. I think you would have to have a central administrative board.

Q. A central administrative board?—A. With regional offices.

Q. You would not leave it to the provinces?—A. I have no objection to anyone administering it that can fit into the over-all principle of the scheme. If we can secure the co-operation of the provinces it is all to the good. I will not quibble about provincial administration. I think where we can get nine units all acting in effect as one, under central guidance, that is a very healthy thing for the country.

Q. But something which would be uniform in the way of means tests?—A. Oh, I think so. I think the present means test has neither rhyme nor reason to it—other than the fact that there is a premium put on complete unthriftiness.

Q. I am not discussing the value of the means test at all; I am only thinking of the administration?—A. I think there has to be a yardstick.

The CHAIRMAN: Are there any further questions on this?

Well, Mr. Conroy, I wish to thank you very much and also to thank Mr. Forsey and Mr. Andras, for your contribution to this committee. It is surely going to be very helpful. We appreciate very much the way in which you have tried to inform the members of the committee and to answer their questions. Of course, there has been a certain amount of difficulty—mostly between you and me—but I want you to rest assured that I have never doubted your good faith, and I hope you have not been doubtful of mine despite what you said at a certain moment. You may rest assured of one thing and it is that all members of this committee have an open mind on this question and wish to do their best to bring down a report recommending a pension system that will be to the good of the Canadian nation as a whole.

Again we wish to thank you and the members of the committee will join with me.

The WITNESS: On behalf of the Congress I will reply and say that we appreciate the full and frank discussions here today. I think you will have noticed, sir, that we have not questioned the propriety of the chair in any respect, although the chair at some time or other seemed to think we were avoiding questions. Mr. Croll, however, seemed to be at odds with the chairman and seemed to think that we were saying too much. However, I suppose that is part of the democratic process and so long as we have the traditional democratic right to come, so to speak, to the foot of the throne, and to tell you what is in our minds, it is not merely a pleasure for us to do it, but it is our duty to do it.

We hope what we have said will be of some assistance and we will get more pleasure out of it if you give us \$50 a month at age 65.

The committee adjourned.



GOVT PUBNS

